Federation of Indian
Chambers of Commerce
and Industry.
1937, 1938, 1940 & 1941

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Correspondence and relevant documents relating to important questions dealt with by the Federation during the year 1936-37.

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VOL. II.

1937-1938
1940-1941

Connaught Circus, NEW DELHI.

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VICE-PRESIDENT:

Sir Rahimtoola M. Chinoy, Kt.

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2. Mr. Manu Subedar (Indian Merchants' Chamber, Bombay).
3. Seth Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad). ...
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2. Dr. S. C. Law, Calcutta.

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   Diwan Bahadur C. S. Ratnasabapathy Mudaliar, Coimbatore.
2. Mr. Nalini Ranjan Sarker, Calcutta.
3. Mr. B. Das, M.L.A., Cuttack.
4. Hon'ble Rai Bahadur Lala Ram Saran Das, C.I.E., Lahore.
5. Lala Guru Sharan Lall, Gaya.
6. Mr. S. M. Bashir, Cawnpore.

SECRETARY

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Telegraphic Address: "Unicomind", New Delhi.

With the compliments of

The Secretary

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Volume II

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

NOTE

At each Annual Session of the Federation, a report, being the proceedings of the Committee, is submitted for adoption. Since last year another volume is submitted to the Annual Session, being the print of important and relevant correspondence and documents relating to questions dealt with by the Federation during that year. This is followed by another publication being the proceedings of the Annual Session. All these publications are printed in three volumes:—

Volume I. Report of the Proceedings of the Committee of the Federation for the year 1936-37 with audited statement of accounts for the year 1936.

Volume II. Important correspondence and documents.

***Volume III.** Proceedings of the 10th Annual Session of the Federation.

Connaught Circus,
New Delhi.

D.G. MULHERKAR
Secretary.

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*Volume III will be published in June 1937, after the holding of the Tenth Annual Session of the Federation.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY.

(The correspondence and the documents are reproduced in this Volume in the same order as they are referred to in the Proceedings of the meetings of the Committee in Volume I).

Budget Proposals of the Government of India, 1936-37.

Copy of a communication from the Federation to the Government of India, Finance Department, New Delhi, dated 3rd March, 1936.

"The Committee of the Federation of Indian Chambers of Commerce and Industry, after having given their careful consideration to the Budget speech of the Hon'ble the Finance Member on the 28th of February last, beg to convey their views thereupon as follows:—

The Committee note with regret and disappointment that the Hon'ble Sir James Grigg, from whom a sound financial reorganization was expected, has lapsed into vicious traditions of under-estimating revenues and thereby minimising the supluses, using surpluses to non-recurring objects and withholding possible reliefs in taxation. They are glad to find that the actuals for 1934-35, the revised estimates for 1935-36 and the budget estimates for 1936-37 have disclosed surpluses and that in the first two cases, such surpluses have been in excess of the anticipations of the Finance Member. But this very fact makes it all the more necessary that more accurate estimates of revenue should be made in preparing the budget. After having taxation at the point at which it has existed for the last so many years, a surplus is what is overdue and cannot but result. One has the apprehension that the last two budgets were framed on unnecessarily strict and conservative lines and the tendency to show a greater eventual surplus than anticipated is, by no means, a qualification of a budget.

While the revised estimates for 1935-36 show a surplus, when one bears in mind that, against it, in railways there is a definite loss, it will be realized that on the whole, the results of 1935-36, including the railways, entail a loss. The same can be said of the budget for 1936-37 and this is being mentioned in order that the necessity of putting the railway machinery right may not be overlooked. The Committee take this opportunity to impress upon the Government the imminent necessity of effecting retrenchment in railway expenditure expeditiously and adequately in every possible manner, so that the railways may not remain a losing proposition. The method of increasing the railway revenue by increasing freights and fares do not appeal to the Committee. Such a method, apart from the inherent economic difficulty contained therein, is open to the further objection that road competition would be further increased. To resort to the method of increasing revenue by enhancing freights and fares is indeed possible only on account of the monopolistic nature of the railway system and is opposed to all commercial principles. Retrenchment in railway expenditure should enable contributions to be made by the Railways to the general revenues and thereby augment the surplus.

The general budget is unfortunately subject to similar criticisms. The Government are apparently relying on a continuance of taxation which was imposed for emergency purposes. The Committee think that the proper way of administration would be to keep expenditure under very strict control, to grant reliefs without delay in all directions in which they are due, in fact overdue, and to spend money in such directions as would lead to the material prosperity of the country as a whole. In making this statement, the Committee are not overlooking the partial removal of surcharges on income-tax and super-tax. But the Committee would submit with all the emphasis at their command that the steps taken in these directions have been very halting and quite inadequate.

In fact, the statement by the Finance Member that the expenditure on Defence, amounting to about Rs. 45 crores, should not be regarded as being the new permanent low level of Defence expenditure, has created a kind of panic. The public of India expected that further efforts would be made to considerably reduce this figure. As a matter of fact, whilst the Finance Member has taken cognisance of several items for the new constitution, the one which he has missed completely is the reduction of expenditure on Defence. The Committee wish to reiterate emphatically their conviction that this figure of expenditure on Defence is unwarranted and is unjustified.

The Committee view with apprehension, as unsound finance, the increase in the expenditure from the budgeted figure of 1935-36 at Rs. 82.93 crores to the revised figure at Rs. 84.10 crores and the budget figure for 1936-37 at Rs. 85.30 crores. If expenditure goes on increasing in this manner, the Committee do not know where it may lead to. It is very necessary, therefore, for the Government to take steps to see that not only is expenditure kept under check, but appreciably reduced.

The Committee would also protest against the method of utilising surpluses for non-recurring objects, especially as various reliefs are overdue, for example, the complete removal of the surcharges on income-tax and super-tax, the reversion to the Rs. 50,000 limit for super-tax, the necessity of allowing business losses to be carried forward in the assessment of income-tax and the reduction of the price of postcards to not more than half anna. The Committee consider that the above-mentioned reliefs are possible to be given even in the budget for 1936-37, when it is remembered that—

(a) The revenue has been under-estimated, e.g., in the case of import duty on sugar and silver;

(b) capital expenditure, e.g., on Quetta, has been unjustifiably debited to revenue;

(c) the revenue reserve fund has been unnecessarily created.

Prosperity and plenty in Government treasury is no symptom of prosperity in the country under the haphazard financial arrangements in India and must occur at the expense of the tax-payer. The Committee would like to see a bold attempt at tax reduction even if it involves a little risk of reduced surpluses during the forthcoming year."

Indo-Japanese Trade Agreement.

Copy of a confidential communication from the Government of India, Commerce Department, New Delhi, dated 6th February, 1936, to the Federation.

"I am directed to invite the attention of your Chamber to the fact that the Convention and Protocol regarding the commercial relations between India and Japan which were signed on the 12th July, 1934, will, subject to due notice of denunciation, cease to be effective after the 31st March, 1937, and to say that the Government of India have now under consideration the desirability of renewing the Convention and Protocol either as they stand, or in a modified form, or of negotiating an entirely new Agreement. They, would, therefore, welcome the opinion of your Chamber in the light of experience of the existing agreement, as to the lines on which modification or amendment appears desirable. I am to say that the Government of India would be greatly obliged if the reply of your Chamber were received before the end of March, 1936."

Copy of a circular letter No. F. 249 dated Cawnpore, 10th February, 1936, addressed to the Members of the Committee.

"I am directed to enclose, for your information, in confidence, a copy of a confidential communication received from the Government of India, Department of Commerce, dated New Delhi, the 6th February, 1936, regarding the Indo-Japanese Trade Agreement. The President has placed this on the agenda of the meeting to be held in New Delhi on 2nd March, 1936. In the meanwhile, I shall thank you to communicate to me any barticular points which you want the Federation office to look into in connection with this question."

Copy of a letter from the Federation to Government of India, Commerce Department, New Delhi, dated Cawnpore, 17th March, 1936.

"With reference to your confidential communication No. 312-T (1) dated the 6th February, 1936, I am directed by the Committee of the Federation to state that as the Indo-Japanese Trade Agreement affects a number of varied interests in the country, it is very necessary to examine the relative advantages or otherwise of renewing the present trade treaty for a further period. The Committee feel that the Government of India should appoint a small committee including the representative of Indian commerce and industry to examine the effects of the said treaty on the various interests affected thereby, with special reference to the increase in imports of fents and artificial silks and other goods that are severely competing with the products of small industrial concerns in India. The Committee are of opinion that if exhaustive material is collected in time for use by the Government of India's representatives, it would very much help conducting fresh negotiations for the renewal or modification of the present treaty between Japan and India. The Committee, therefore, trust that the Government of India would be pleased to give due consideration to their suggestion indicated above."

Copy of a reply to the Federation from the Government of India, Commerce Department, New Delhi, dated 26th March, 1936.

"With reference to your letter No. F.-414, dated the 17th March, 1936, on the above subject, I am directed to say that the Government of India will, in the first instance, be glad to have the opinion of your Federation on the questions referred to in their letter No. 312-T (1)/36, dated the 6th February, 1936. Thereafter, it will be for consideration what procedure should be followed. I am to add that the Government of India have decided to extend the period for sending a reply to their letter up to the end of April next."

Copy of a letter No. 572 from the Federation to Government of India, dated 20th April, 1936.

"With reference to your letter No. 312-T (1) dated the 26th March, 1936, on the above subject, I am directed by the Committee to request the Government of India to further extend the period for submission of their views on the questions pertaining to the continuance or modification of the Indo-Japanese Trade Agreement as the Committee feel that it would not be possible for them to examine the working of the said Agreement within such a short time at their disposal. The Committee trust that the Government would be pleased to extend the time by a further period of six weeks."

Copy of a confidential circular No. F. 598 dated 30th April, 1936, from the Federation to all Member-bodies.

"As you are aware, the Indo-Japanese Trade Agreement expires on 31st March, 1937, and the Government of India are desirous of ascertaining the opinion of the commercial community as regards the renewal or modification of the present trade agreement. The Committee intend to submit their views at the end of May next after examining the export and import trade between the two countries. I am, therefore, directed to request you to forward to this office whatever material or views your Committee wish the Federation Office to take note of while formulating the views of the Federation on this question. It is requested that a reply to this be sent to this office not later than Wednesday, the 20th May, 1936."

Copy of a circular letter No. F. 720 from the Federation to the Members of the Committee, dated 30th May, 1936.

"I am directed to enclose a copy of a draft* of a letter which is intended to be addressed to the Government of India on the above subject. I shall thank you to communicate to me whatever suggestions you desire to make therein for the consideration of the President, to reach this office by Wednesday, the 10th June, 1936."

Copy of a circular letter No. F. 732 dated 4th June, 1936, from the Federation to the Members of the Committee.

"In continuation of my circular letter No. F. 720 dated the 30th May, 1936, I am desired by the President to further enclose a copy ‡of an additional paragraph which, he suggests, should be embodied in our representation to Government on the above question as it relates to an important question of intrusion of Japanese tonnage in the Indian coastal trade. The President suggests that it should form a part of the representation of the Federation to Government.

A suggestion was made by organizations representing cotton textile industry in India that the question of re-exports of Japanese cotton piece-goods across the frontier to countries like Afghanistan and Nepal should be examined as substantial quantities of Japanese cotton piece-goods over which full drawback of import duty is paid are smuggled back into Indian territory.

Copy of a confidential letter No. F. 774 dated 11th June, 1936, from the Federation to Government of India, Commerce Department, Simla.

"In continuation of the correspondence ending with this office letter No. F. 572 dated 28th April, 1936, on the above subject, I am now directed by the Committee to forward for your information a concise note prepared by them on the export and import trade between India and Japan indicating therein the position of certain important commodities since the conclusion of the Treaty.

2. The Committee of the Federation suggest that there are certain important factors which are to be taken into consideration by the Government of India in their negotiations with the Government of Japan. It will be seen from Table No. 2 in the accompanying note that the export of raw cotton to Japan from India has been in the neighbourhood of 16 lakhs of bales in the pre-depression period. Imports of cotton piece-goods from Japan during that period were a negligible quantity compared to the total imports from other countries. The position of India's cotton in the Japanese market is consolidated by the fact that parity has all along been in favour of Indian cotton. Japan's consumption of Indian cotton is increasing from day to day as will be seen from Table No. 3 in the note. It can be safely said that the minimum consumption of Indian cotton by the Japanese cotton industry is 16

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*Draft not printed.

‡Enclosure not printed.

lakhs of bales and there is no reason why that quantity should not be made the minimum quota in the revised Trade Treaty without increasing the quota for piece-goods. It may be mentioned here that the import of cotton piece-goods from Japan is not really in the interest of the indigenous industry and not even needed by India as the Indian textile industry is now in a position to manufacture all kinds of piece-goods covered by the Protocol, while on the other hand, Japan needs Indian cotton to run her industry properly and profitably. The import of cotton piece-goods from Japan acts as a handicap on the growth of the indigenous textile industry.

3. The Japanese cotton industry has progressed rapidly during the last 5 years. From Table No. 3 in the note, it will be seen that the total import of cotton into Japan from all countries rose from 296.3 millions of yens in 1931 to 447.4 millions of yens in 1932, 604.8 millions of yens in 1933 and registered a further increase to 731.4 millions of yens in 1934. Japan's chief sources of supply are the United States of America and India and she cannot afford, for some years to come, to curtail her consumption of Indian cotton.

4. During the negotiations of the Trade Treaty between India and Japan in 1933, a great deal of anxiety was expressed by the cotton growers in India about the attitude of Japan towards the purchase of Indian cotton. It cannot be disputed that the short staple cotton grown in India is peculiar to this country and the favourable parity of price which it commands in world market is to some extent a deciding factor in the use of Indian cotton by the textile industry in foreign countries. The Committee cannot help pointing out in this connection that during the interval the Government of India have not done anything to examine the possibilities of utilizing this variety of cotton for uses other than mere export to foreign markets. The Committee would urge Government to institute research work for converting short staple cotton into staple fibre and for utilizing it for other industrial uses. With the phenomenal advance in science, it should not be impossible to find out more profitable channels to which the use of Indian short staple cotton can be directed with advantage to the country.

5. Table No. 11 in the note gives an idea of the hold which Japan has secured in the Indian market in the import trade of cotton piece-goods. She has been fully utilizing the limits allowed to her for variations in the sub-allotments of the four main categories of cotton piece-goods. The greater imports of Japanese white bleached and coloured piece-goods are sure to affect the new lines taken up by the Indian mills to diversify their products in order to secure a greater share in India's consumption of piece-goods. India, in fact, does not stand in need of any imports of cotton piece-goods from abroad, but the Committee realize the difficulties of the Government of India in as much as they would not be able to negotiate the Trade Agreement with the Government of Japan unless a certain share of the import market in cotton piece-goods is assured by the Government of India to the Government of Japan. With that end in view, the Committee suggest that the Government of India should allot percentages in quotaed cotton piece-goods in such a manner as to allow reasonable scope to the indi-

genous industry to diversify its products. It is not possible for the Committee in the absence of reliable statistics as regards production of cotton piece-goods in Indian mills or in handloom factories to lay down definite percentages in the sub-allotments of these four categories of piece-goods. But the disquieting feature which has arrested the attention of the Committee while examining trade figures relates to the imports of fents, artificial silk manufactures and ready-made clothes. The Committee do not desire to characterise the imports of Japanese fents as those of spurious ones but they would like to point out a very significant increase in the imports of those commodities not covered up by the Indo-Japanese Trade Treaty during the last two years. The artificial silk manufactures being cheaper and attractive, effectively compete not only with the finer varieties of cotton piece-goods but are replacing coloured and printed goods of the mills and fancy coloured products of handloom industry, and as such, the imports of these and of the fents should be taken into consideration in fixing up the quota of the Japanese cotton piecegoods.

6. In former years when apparel used to be imported into India and when the Government of India entered it as an article in their customs tariff, it was never imagined that the apparel coming under this heading would cover up clothing of the cheapest quality imported with a definite object to arrest the consumption of indigenous cloth. It has been urged by organizations representing the textile industry that these ready-made cotton suits and shirts, either made of cotton or artificial silk should be taken into consideration while fixing up the quota of piecegoods from Japan.

7. Imports of cheap silk, woollen and worsted piecegoods, from Japan have also affected to some extent the products of Indian textile industry and the Committee suggest that the Government of India should consider this aspect of the imports of these articles while negotiating the revision of the Treaty and should examine the possibility of including the imports of these articles in the quota of piecegoods allotted to Japan.

8. It was also found that during the last two years in the quota allowed to Japan for cotton piecegoods linear yardage was fixed with the result that the Japanese textile industry by increasing the width of piecegoods imported substantially greater quantity of cloth than contemplated by the Government of India. It is, therefore, suggested that the quota should be indicated in square yards to check any further manipulation of the quota.

9. There have been serious complaints about the smuggling of Japanese piecegoods on the land frontiers of India. Under the present system, Japanese piecegoods exported across the Indian land frontiers to countries like Afghanistan and Nepal get drawback of import duty to the extent at 95 per cent. collected at the port of entry with the result that these goods arrive either at Nepal or Afghanistan practically free of duty. The Committee have no objection if these goods are exported to these countries for their consumption but the complaints are

that the goods are smuggled back into British India with the obvious object of selling them in British India. As it may be possible to maintain a fully effective check on the smuggling of such goods over the frontier, which presents certain difficulties, the Committee submit for the consideration of the Government that a certain understanding regarding the entry of such goods into Afghanistan and Nepal should be arrived at to exclude the possibility of these goods being smuggled back into British India. If that is not possible, then the Government of India should revise their policy of allowing drawback of import duty for articles re-exported over land frontiers.

10. As regards the effect of imports from Japan of finished artisles on some of the indigenous small inlustries, it is rather difficult for the Committee to assess exactly the effect of such imports on small industries. But it cannot be denied that the entry of cheap Japanese articles in India's markets has affected and is bound to affect such small industries as potteries, soap-manufacture, glass manufacture, chemicals, boots and shoes, etc. Article 3 of the Convention no doubt confers the right on the Government of India to impose or modify duties to correct the effects of any variation of the exchange value of yen, but when a new agreement is being negotiated with Japan, care should be taken to preserve and protect the large number of small industries in India against cheap imports from the other country. A move on the part of the Government of India in this direction, the Committee trust, will meet with approval in the country.

11. The export of Indian cotton to Japan constitutes at present about 87 per cent. of the total export trade of India with Japan. Japan imports a number of articles of primary produce such as oil-steeds and unmanufactured tobacco, tanned hides and skins, pig iron and pig lead, etc. The Committee suggest that the Government of India should, against the Indian imports of miscellaneous articles from Japan, explore the possibility of securing expansion of export trade in certain important commodities, which India produces, to Japan. Imports from Japan of finished articles are bound to interfere with the growth of indigenous industries and if Japan is to receive the most-favoured-nation treatment in the Indian market, she should be persuaded to offer preferential treatment to some of the important commodities of export from India. The present Indo-Japanese trade treaty is not strictly based on the principle of reciprocity as a bilateral trade agreement, as only certain articles in the import and export trade of two countries are taken into consideration and not the whole trade between the two countries.

12. A number of difficulties were felt at the beginning of the conclusion of the trade treaty in 1934 regarding the export of cotton from India and import of piecegoods from Japan. The Committee would, therefore, suggest the appointment of a Trade Commissioner in Japan to look after the interests of India and to advise Government from time to time in regard to the strict observance of the terms of the Treaty in both the countries. If feasible, the Trade Commissioner should be empowered to certify quotaed quantities of Japanese piecegoods imported into India, having regard to the experience of the working of the present trade treaty during the last two years. The Committee further

understand that there are Indian commercial houses in Japan directly carrying on import and export trade with India. The Government of India should see that no restrictions, direct or indirect, are placed in the way of these concerns in their normal trade activities and with that end in view, the appointment of a responsible officer by the Government of India in Japan seems to the Committee a necessity.

13. The Committee of the Federation have also to draw your attention to the subject of intrusion of Japanese tonnage in the coastal trade of India. The representatives of the Federation of Indian Chambers and the Associated Chambers submitted a joint note on this subject to the Hon'ble Sir Joseph Bhore, the Commerce Member, in October, 1933, during the Indo-Japanese trade negotiations. This question was subsequently discussed between the Commerce Member and the Leader of the Japanese Delegation and it was understood that His Excellency Sawada had given an undertaking to Sir Joseph Bhore, the Commerce Member, that Japanese steamers would not intrude in the coastal trade of India. Despite this understanding, however, the S.S. "Ibukisan Maru", a Japanese steamer, lifted about 8,000 bags of groundnuts from Cuddalore for Bombay in January, 1935. As this was an isolated instance, the Indian Coastal Conference Lines did not officially move in the matter but contented themselves by formally drawing the attention of the Commerce Department of the Government of India at the time. Since the beginning of this year, however, there has been renewed activity on the part of Japanese steamers in the coastal trade of India. Steamers returning from Karachi to Japan have been lifting cargo for Madras and thus invading the home waters of India. The Committee are given to understand that the following three steamers took cargo between coastal ports of India:—

S.S. "Kenkon Maru" sailed from Karachi on 1st February, with 500 bags of wheat flour, etc., for Madras.

S.S. "Hakubàsam" sailed from Karachi on the 12th April, with 1,000 bags of wheat flour for Madras.

S.S. "Kenkon Maru" sailed from Karachi on the 4th May, with 2,500 bags of wheat flour for Madras. This steamer also lifted 3,600 steel bars from Bombay for Madras.

Although the quantities lifted hitherto have been comparatively small, the intrusion of Japanese steamers in the Indian coastal trade is a development which Indian coastal lines connot view with equanimity and it constitutes a departure from the undertaking given by the Japanese Delegates not to invade the home waters of India especially when the coastal trade of Japan itself is reserved to Japanese steamers. The Committee trust that this matter will also receive the careful consideration of the Government of India and that steps will be taken to see that the coastal trade of India is not invaded by Japanese tonnage.

14. The Committee have merely indicated general lines on which detailed information should be collected by the Government of India and about which they should be in direct touch with the accredited representa-

tives of Indian commercial, industrial and agricultural interests in the country and trust that the Government of India will try to maintain intimate contact with non-official advisers in carrying on negotiations with the Government of Japan."

Note prepared by the Committee of the Federation examining certain important aspects of the Indo-Japanese Trade Treaty.

The commercial treaty between India and Japan which was signed on 12th July, 1934, consists of the Convention and the Protocol. Article 2 of the Convention lays down that articles produced or manufactured in the territories of one country shall not be subjected to duties or charges higher than those imposed on like articles produced or manufactured in any other foreign country, subject to a proviso that the Government of India shall have the right to correct the effects of any variations of exchange value of Yen relative to the Rupee subsequent to the 31st day of December, 1933.

The Government of Japan enjoy a similar right in case of any variation of exchange than the one given in the Convention. The Convention is to remain in force until the 31st day of March, 1937, and it shall continue to operate until further notice to terminate is given.

The Protocol lays down definitely the custom duties to be imposed on importation into India of cotton piecegoods manufactured in Japan; they are not to exceed the following rates:—

(a) Plain greys—50% ad valorem, or 5¼ annas per pound whichever is higher;

(b) Others—50% ad valorem.

Article 3 of the Protocol fixed the quotas for export of raw cotton from India against import of cotton piecegoods from Japan, the terms being one million bales of raw cotton against basic allotment of 325 million yds—subject to certain variation as regards increase or decrease in the allotments.

The cotton year for the purpose of Protocol is to begin from the 1st of January, 1934, while the cotton piecegoods year is to begin from the 1st of April, 1934.

The Protocol which came into force simultaneously with the Convention shall continue to remain in force till 31st day of March, 1937, which, in fact, means, while the Protocol ceases to operate on the 1st April, 1937, the Convention which deals with commercial relations between India and Japan, continues to be in force until further notice to terminate is given by either of the parties. It should be, therefore, noted that in case no notice is given to terminate the Convention by the Government of India on 30th September, 1936, it would be to the advantage of the Government of Japan to continue to be under the terms of the Convention without the operative clauses of the Protocol from the 1st April, 1937, thereby enjoying unrestricted field for the import of cotton piecegoods from Japan into Indian markets without the obligation of purchasing any fixed quantity of raw cotton from India. The Government of India will be precluded from enhancing any custom duties against Japan as the Convention has secured for Japan the most-favoured-Nation treatment. The Government of India should, therefore, be advised to give a formal notice to terminate the Convention on 31st March, 1937, thereby ensuring revision of the Protocol which expires on 31st March, 1937.

The circumstances under which the Indo-Japanese Trade Convention and Protocol were negotiated during 1933 were particularly unfortunate for this country. Amongst the varied interests which were then affected during the negotiations, were those relating to the cotton growers in India and it must be acknowledged that full advantage was taken of the situation by the Representatives of the Government of Japan in securing for themselves advantageous terms with regard to the import of cotton piecegoods into India. The working of the Treaty during the last two years amply bears out this proposition; and it would, therefore, be advisable if, before opening the fresh negotiations with the Government of Japan, the Government of India and their non-official advisers examine the possibilities of a more advantgeous trade treaty with the Government of Japan and whether it would be possible to expand India's export trade in several important agricultural products in exchange of the miscellaneous imports into India. It is with this view that certain important commodities entering into the export and import trade of India are examined in this note.

The export and import trade between India and Japan as compared with the total trade of India is indicated in the following table:—

Table 1

Export and import trade between India and Japan as compared with the total trade of India.

(In crores of rupees)

Year.	Total export trade.	Exports to Japan.	Japan's share in total export.	Total Import trade.	Imports from Japan.	Japan's percentage.	Balance.
1913-14	244	23	9.4%	183	5	2.7%	+18
1918-19	239	29	12.1%	169	34	20.1%	— 5
1923-24	349	50	14.3%	228	14	6.1%	+36
1928-29	330	34	10.3%	233	18	7.0%	+16
1929-30 Normal year	311	32	10.3%	241	24	9.8%	+ 8
1930-31	220	24	10.9%	165	15	8.8%	+ 9
1931-32	156	14	9.0%	126	13	10.6%	+ 1
1932-33	132	14	10.6%	133	20	15.4%	— 6
1933-34	147	13	8.8%	115	16	13.9%	— 3
1934-35	152	24	15.8%	132	21	15.9%	+ 3
1935-36	160	22	13.7%	134	22	16.5%	+.03

It will be seen from the above Table that the export trade of India with Japan has not been making any headway during the last 15 years In 1923-24 exports to Japan were 14.3% of the total exports and the share has been dwindling to 10.3% in 1928-29, still further to 9.0% in 1931-32 and 8.8% in 1933-34. After the signing of this Treaty, the share went up to 15.8% in 1934-35; but if we examine the details of the exports from India during the year 1934-35, it will be seen that the increase in the percentage is due to a substantial increase in the off-take of raw cotton by Japan with a view to enable them to export greater quantity of cotton piecegoods to the Indian market. The figures for exports to Japan in 1935-36 indicate a setback from 1934-35 the exports have declined by about Rs. 2 crores and the percentage share has fallen from 15.8% to 13.7%.

On the other hand, if we examine the share of Japan in the import trade of India, one is surprised at the steady growth of Japan's share in the Indian market. In 1913-14 Japan was importing 2.7% of the total requirements of India. Leaving aside the year 1918-19, wherein the share of Japan went up to 20.1%, Japan's position has been gradually strengthening from 6.1% in 1923-24 to 7% in 1928-29 to 10.6% in 1931-32. 15.4% in 1932-33 and in the first year of the Agreement, it settled down at 15.9%, and in 1935-36, it has further gone up to 16.5%. There has thus been a consolidation of Japan's position in India's market.

The trade balance between the two countries since 1913-14, excluding the. year 1918-19, has been all along in favour of India till 1931-32. During 1932-33, the trade balance was against India to the extent of 6 crores; in 1933-34, it was 3 crores against India and after the Treaty, during 1934-35, the trade balance was in favour of India to the extent of 3 crores; but in 1935-36, it has again disappeared.

In the export trade of India with Japan, there are very few articles of primary produce that have secured any footing in the Japanese market. Export of rice which was once an important article of export to Japan has disappeared since 1927. Raw cotton alone has withstood all competition from other cotton producing countries trading with Japan and in securing that position the price of Indian raw cotton has been a deciding factor. Other exports to Japan such as, mica, lac, raw jute, jute manufactures, are of less significance as India is in a privileged position with regard to the supply of these articles and Japanese requirements are not also of a substantial nature. Besides raw cotton, pig iron comes next in importance and Japan has been her chief customer of this article, but Manchukuo's entry since 1932 into the market is rather disquieting.

It is not possible to ascertain the scope in the Japanese market for the supply of certain commodities, in which India can well expect to expand her trade such as, tanned skins and hides, oil seeds—groundnuts, linseed, castor seed, cotton seeds,—coffee and tobacco, etc. The figures that are available to the office relate to the period of 1922-32 and an attempt, is therefore, made in this note to indicate possible lines of approach by the Government of India in their negotiations with the Government of Japan with a view to find out new avenues of expansion for certain important commodities of export from India, particularly when India's exports of these commodities are labouring under certain handicaps dia's exports of these commodities are labouring under certain handicaps in the European markets due to the introduction of import quotas, exchange restrictions and currency fluctuations. These handicaps are at least not present in case of Japan. It is, therefore, hoped that a due consideration will be given to the suggestions made in this note when negotiating a more advantageous treaty with Japan.

EXPORT TRADE OF INDIA WITH JAPAN

If one surveys the export trade of India with Japan, the chief commodities are:—

1. Raw cotton.
2. Pig iron.
3. Tanned skins and hides, and
4. Oil seeds.

RAW COTTON

The following table gives an idea about the export of raw cotton to various countries since the pre-war time:—

Table 2.

Export of raw cotton to various countries. *

(In thousands of bales of 400 lbs.)

Year.	U. K.	Italy.	France.	Belgium.	Germany.	China.	Japan.	Total (including exports to other countries)
Pre-war average.	122	233	109	277	351	31	1,012	2,407
War average	212	249	69	44	69	48	1,373	2,190
1923-24	290	551	174	256	244	270	1,722	3,764
1928-29	241	384	204	347	324	404	1,610	3,712
1929-30 (Normal year)	270	393	253	341	344	566	1,640	4,070
1930-31	281	362	232	217	309	606	1,686	3,926
1931-32	166	183	81	121	166	436	1,080	2,369
1832-33	167	150	124	128	153	134	1,085	2,063
1933-34	342	261	161	144	246	337	1,022	2,729
1934-35	347	278	148	153	153	142	2,011	3,446
1935-36	455	152	165	222	254	108	1,759	3,396

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* Bombay Cotton Annual No. 16.

The net exports of Indian cotton absorbed by Japan, after deducting re-exports from Japan, are:—

1934: 20,53,534 Bales;
1935: 16,37,502 Bales.

It will be seen from the figures given in the above Table No. 2 that the consumption of Indian cotton by Japan has never been less than 16 lakhs of bales on an average during the period covered by the years 1923-24 to 1930-31. Since 1931-32, Japan took nearly 11 lakhs of bales till the conclusion of the Indo-Japanese Trade Treaty. It should be, further, noted that in spite of Japan importing one million bales during the pre-war period, her export of cotton piecegoods to India scarcely amounted to the value of 17 lakhs of rupees and formed 5 per cent. of the total imports of piecegoods into British India. This factor should be borne in mind when the Government of India would be negotiating with the Government of Japan to fix up the minimum quantity of raw cotton to be taken by Japan against a quota for imports of piecegoods. Another factor which strikes one in examining the import figures of cotton into Japan according to quantity is that while in 1922, Japan was taking 53% of the requirements from India, in 1925 26%, in 1930 50%, the share stood at 21% in 1932. And according to value, in 1933 Japan's purchase of Indian cotton amounted to 28% in value of her total purchases of cotton and 34% in 1934. The following figures are particularly interesting as they indicate the growth textile industry in Japan:—

Table 3.

Value of raw cotton in millions of yen imported into Japan from various countries.*

	1931	1932	1933	1934
U. S. A. ..	153.7	320.7	381.6	400.9
India ..	113.3	91.7	168.8	252.4
Egypt ..	11.6	15.3	19.1	39.8
China ..	17.4	18.9	24.3	15.7
Total from all countries. ..	296,3	447.4	604.8	731.4

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* Financial and Economic Annual of Japan, 1935.

India produces on an average 6½ million bales of cotton. Out of this, more than 2½ million bales are consumed by Indian mills, while it is estimated that about a million bales are required for non-factory consumption in India leaving thereby an exportable surplus of about 3 million bales. From the figures given in Table 2, it will be seen that the exports of cotton in 1934-35 and 1935-36 exceeded 3 million bales. In normal times, therefore, the cotton growers in India should be assured of an export market to the extent of 3 million bales and as the Indian textile industry is bound to develop in years to come, it will be in a position to consume more cotton that may be produced in the country hereafter. Another aspect of the cotton trade of India with Japan is that her exports of raw cotton constitute nearly 87 per cent. of her total exports to Japan as will be seen from the following Table:—

Table 4.

India's Exports to Japan.

(In crores of rupees.)

	1930-32	1931-32	1932-33	1933-34	1934-35	1935-36
Value of total exports ..	24	14	14	13	24	22
Value of raw cotton export..	21	11	11	11	21	18

PIG IRON.

Japan used to be a substantial customer for Indian pig iron in the past. India's exports were as under:—

Table 5.

Exports of Pig Iron.

Quantity in Tons (ooo)				Value in Lakhs of rupees
Years.	To all countries.	To Japan.	% Share of Japan.	
1922-23	119	113	95%	87
1927-28	393	271	69°/o	1,24
1929-30	569	350	61.5°(o	1,59
1930-31	439	161	36.7°/o	64
1631-32	351	188	53.°6/o	66
1932-33	218	72	33%	24
1933-34	378	184	48.4%	40
1934-35	417	246	59%	54
1935-36	538	398	74%	92

Since 1932, Manchukuo has become a substantial supplier of pig iron to Japan, while Kwantung province has practically disappeared from the market since 1933. The following Table gives an indication of the relevant position of Japan's suppliers of pig iron:—

Table 6.

Imports of Pig Iron into Japan.

(In millions of Yen.)

	1931	1932	1933	1934
Manchukuo ..	..	4.2	18.1	19.0
Kwantung Province.	4.9	4,7	.06	.02
China ..	2.3	..	..	..
India ..	3.6	3.0	5.8	7.3
Total from all countries ..	11.2	12.2	25.3	26.5

With the greater development of mineral resources in the new territory of Manchukuo which is under the political domination of Japan, the prospects of the continuance of the markets for pig iron may not be bright in future and the Government of India should be careful to take note of this factor in their negotiations with Japan.

TANNED AND DRESSED SKINS.

Though India is an important country for exports of tanned hides and skins, her share in Japan's market is insignificant and whatever position India held in 1923-24 supplying tanned skins to the value of 47 lakhs out of export of 273 lakhs, dwindled in 1935-36 to 19 lakhs out of her exports of 520 lakhs.

Table 7.

Exports of Tanned Hides and Skins from India.

(In lakhs of rupees.)

	To all countries.	To Japan.	Japan's p. c.
1913-14	2,63	13	4.9
1923-24	2,73	47	17.2
1928-29	4,91	37	7.5
1929-30	4,62	32	6.9
1932-33	3,04	21	6.9
1933-34	3,23	22	6.8
1934-35	5,22	24	4.5
1935-36	5,20	19	3.6

During the year 1935-36, Japan's share in India's exports of tanned skins is scarcely 3.6 per cent. The Government of India should see that Japan offers India an appreciable share of her requirements in tanned hides and skins

Table 8

Export of manufactured tobacco

(In millions of lbs.)

	To all countries.	To Japan.	Japan's %.
1913-14	30	..	..
1923-24	32.9	0.7	2.1%
1928-29	32.9	3.3	10.0%
1929-30	26.0	3.2	12.8%
1932-33	20.9	3.1	14.8
1933-34	29	3	10.3
1934-35	26	5.8	23
1935-36	28.7	5.6	20.6

It will be seen that Japan has been evincing greater interest in her consumption of unmanufactured tobacco from India. She has imported during the last two years 5.8 and 5.6 million lbs. of unmanufactured tobacco against about 3 million lbs. in previous years. The Government should try to stimulate India's market with Japan in this article, particularly when India's exports covered up about 11 per cent. of Japan's requirements affording thereby greater scope for expansion. The duty on tobacco is 355 per cent. ad valorem.

Oil Seeds.

Table 9

Export of oil seeds from India

	Tons (000)		Rupees (lakhs)	
	To all countries.	To Japan	To all countries.	To Japan.
1913-14	15,82	..	25,67	..
1923-24	12,55	27.4	29,82	61
1928-29	13,28	20.0	29,63	42
1929-30	11,95	10.3	26,47	23
1932-33	7,33	2.2	11,31	3
1933-34	11,11	1.4	13,45	2
1934-35	8,70	..	10,42	..
1935-36	6,67	..	10,17	..

The important oil seeds that used to enter into the important trade of Japan were:—

1. Ground nuts.
2. Sesame seeds.
3. Rape seed and mustard seed.
4. Linseed.
5. Castor seed, and
6. Cotton seed.

Japan, which was once taking Rs. 61 lakhs worth of oil seeds in 1923-24, did not import any oil seeds during the last two years. The place which Linseed once occupied in the Japanese market has also disappeared as will be seen from the Table given below:—

Table 10.

Export of oil seeds to Japan.

(In 000 tons.)

	To	1923-24	1928-29	1929-30	1931-32	1932-33	1633-34	1934-35	1935-36
Groundnut	All countries.	240.4	726.9	657.9	591.7	399	546,5	511.1	412.5
	Japan.	..	..	..	..	..	..	..	..
Sesame seed	All countries.	7.7	21.1	6.5	11.3	9.2	15.2	4.2	1.3
	Japan.	..	.002	..	.1	..	..	..	..
Rape seed & Mustard seed.	All countries.	267	48.3	36	38.8	103.3	73.4	36.9	19
		3.0	4.3	2.4	2.5	3.4	3.3	2.7	2.1
	Japan.	26.8	.1	..	.1	.1	..	..	..
		..	.06	..	..	..	..	..	..
Castor seed.	All countries.	69.4	92.5	81.7	79.5	62	81.5	68.7	59.6
	Japan.	.33	.2	.04	3.9	1.9	..	..	..
Cotton seed.	All countries.	.55	10.5	.06	.008	.2	5.5	.6	.7
	Japan.	..	..	..	..	..	..	..	..
Linseed.	All countries.	174	115.6	145.8	95.8	48.4	378.8	238.3	63.7
	Japan.	.1	19.6	10.2	6.2	.15	1.4	..	..

Oil seeds and oil seed cakes form an important item in the import trade of Japan and India, which is a supplier of these articles to a number of foreign markets, should have some share in the import market of Japan and in the negotiations, the Government should investigate the possibility of expanding India's export trade in these articles to Japan.

IMPORTS FROM JAPAN

The chief imports covered up under the Protocol are cotton piecegoods of the following four categories:–

(a) Plain Greys
(b) Bordered Greys
(c) Bleached goods
(d) Coloured goods sub-divided into—
    (i) Printed
    (ii) Dyed
    (iii) Woven

and the basic allotment has been the import of 325 million yards against 1 million bales of raw cotton.

The sub-allotments of the piecegoods were fixed up as under:—

(i) Plain greys—45 per cent.
(ii) Bordered greys—13 per cent.
(iii) Bleached goods—8 per cent.
(iv) Coloured (into printed, dyed or woven) goods—35 per cent.

These sub-allotments were allowed certain variations within specified limits as indicated in the Protocol.

The imports of these articles during the last four years were as under:–

Table 11.

Import of piecegoods into India from Japan.

(In millions of yards)

CATEGORIES.		1932-33	1933-34	1934-35	1935-36
Plain Grey	..	184	113	152	190
Bordered Groy	..	59	29	42	57
White Bleached	..	13	75	40	58
Coloured:	..				
Total printed	..	145	84	102	150
Total dyed	..	44	25	18	20
Total woven cloured		26	15	20	21
Total:		473	341	374	496

It will be seen that the imports in 1933-34 were 341 million yards; just after the conclusion of the Treaty, they went up to 375 million yards in 1934-35 and 496 million yards in 1935-36. Out of 496 million yards imported into India, there must be some re-exports across the land frontiers to Afghanistan and Nepal but the trade statistics so far published do not enable one to exactly calculate such re-exports of

Japanese piecegoods. India's net exports of raw cotton during the calendar years 1934 and 1935 are—

YEAR	BALES OF COTTON
1934	20.53,534
1935	16,37,502

The maximum allotment of cotton piecegoods to which Japan would have been entitled is 400 million yards in the year 1934-35 and 400 million yards in 1935-36 allowable under the proviso of Article 3 (3) of the Protocol. Under Article 5(b) of the Protocol, an additional allotment of 20 million yards would have been allowed to Japan if imported into India in the year 1934-35 but the total imports under all varieties from Japan amount to 374 million yards in 1934-35. As there is a provision under the Protocol to carry forward the balance of allotment if not imported by Japan into India, the result is owing to the greater exports of raw cotton to Japan during the year 1934—the excess being 5,53,534 bales—that Japan can utilize this excess for purposes of importing greater quantity of piecegoods in 1935-36 to the maximum limit of 400 million yards. Owing to the operation of Article 5(b) which lays down that an extra allotment of 20 million yards of cotton piecegoods cannot be imported in the year 1936-37, it being the cotton piecegoods year in which the present Protocol terminates. Japan will have to be satisfied with net imports of 400 million yards during 1936-37. The percentage share of the various categories forming the group of these imports are indicated below:—

Table 12.

% Share of various variations of cotton piecegoods as imported from Japan.

	Percentage allowed under Protocol.	1934-35	1935-36
Plain Grey ..	45%	41%	38%
Bordered Grey ..	13%	11%	12%
White Bleach ..	8%	11%	12%
Coloured ..	34%	37%	38%

It will be seen from the above analysis that Japan has been more anxious to secure greater market in bleached goods and coloured goods as she has diverted a substantial portion of her allotment in plain and bordered greys to bleached and coloured goods.

Indian mills have just begun to undertake manufacturer of printed goods and some of the mills have installed bleaching plants to manufacture white bleached goods for the market. The inroad made by Japanese imports of bleached goods and printed goods is sure to cripple the enterprise of the Indian mills to diversify their products in order to suit the requirements of the public. It is, therefore, suggested that the sub-allotments should be revised with a view to give the Indian mills greater scope in the manufacture of bleached and coloured goods.

Another significant feature of Japanese import trade in cotton piecegoods is the abnormal quantity of fents imported by Japan after the conclusion of the Treaty. In a country like India where the masses are much poverty-stricken, fents are as much in demand as good cloth; in fact, the poorer classes prefer to go in for fents as they are cheaper than good cloth. In view of the fact that the textile industry is a protected one, the imports of fents ought not to have been allowed at a lower rate of duty at which they are allowed at present, namely, 35 per cent. 'ad valorem' on all fents not of British origin and 25 per cent. ad valorem on fents of British origin against the protective duty of 50 per cent. 'ad valorem' respectively. As these imports are bound to affect the growth of the Indian textile industry to some extent, the imports of fents should be on the same level as the import of other piecegoods. During the last two years of the currency of the Treaty, Japan imported a very substantial quantity of fents into India as will be seen from the following table:—

Table 13.

Import of fents from Japan into India.

		In million of yds.	Rupees in lakhs.
(a)	1933-34.	8.0	12.0
(b)	1934-35.	37.0	66.0
	1935-36.	35	55.0

(a) Not more than 9 yards.
(b) Not exceeding 4 yards.

The imports of fents from Japan should, therefore, form a regular item in the Indo-Japanese Trade Treaty.

Another kind of import from Japan that is affecting the Indian textile industry is the import of artificial silk piecegoods. They naturally being cheaper and attractive, effectively compete not only with the finer varieties of cotton piecegoods but are replacing coloured and printed goods of the mills and fancy coloured products of handloom industry. It should be further noted that Indian industry is labouring under another handicap in the manufacture of coloured and printed goods in the form of an import duty on dyes and chemicals, while in case of Japanese textile industry, these materials are either imported free in Japan or manufactured by her in the country. The imports of these goods during the last three years from Japan particularly indicate that there has been a very serious competition in the piecegoods market from that country, which is likely to affect the indigenous industry. The imports are:–

Table 14.

Imports of artificial piecegoods into India.

	In millions of yds.			In lakhs of rupees.		
	1933-34	1934-35	1935-36	1933-34	1934-35	1935-36
From U. K...	.4	.5	.3	2.8	2.9	2.4
„ Japan..	39.6	66.6	73.3	103.0	177.8	184-3
Total from all countries	40.3	67.6	74.5	108.2	183.1	188-5

It should, therefore, be noted that imports of artificial piecegoods from Japan cannot be ignored in any future trade negotiations with that country and should form part of the quota allotted to that country.

Japan has been making a headway in her exports to India of cotton twists and yarn. During the last three years, imports from Japan increased from 95 lakhs of rupees in 1933-34 to 1 crore 16 lakhs in 1934-35 and further to 1 crore 79 lakhs in 1935-36, while imports of artificial silk yarn from Japan shows an increase during the same ptriod, the imports increasing from 2.5 million lbs. in 1933-34 to 8.9 million lbs. in 1934-35 and to 10 million lbs. in 1935-36. The question of imports of yarn from Japan of either cotton or artificial silk should be coupled with the import of cotton and artificial piecegoods into India and the question of influence which these imports exercise on the growth of the handloom industry should be investigated.

While the trade negotiations were going on three years back, it was pointed out to the Government of India by the representatives of the Federation that imports of cheap manufactured articles, particularly boots and shoes, glass and glassware, earthenware and porcelain, soap, etc., would have deterrent effect on some of the small industries of this country. In the absence of any statistics relating to the production of these articles in India, it is not possible to ascertain how far the increase in the import of these articles has affected the indigenous industries, as even if there had been no increase in the import of these articles during the last two years, they are bound to affect the prices of these articles in the Indian market resulting in the industry not making any headway in its expansion. Examining the figures of import of these articles, we find—

(a) that "in case of boots and shoes," against an import of 6,620,000 pairs of shoes in 1933-34, there has been a decline during the last two years, the imports going down to 3,620,000 pairs in 1934-35 and further down to 2,377,000 pairs in 1935-36;

(b) "In case of earthenware and porcelain," the value of imports has remained stationary all these years at a figure of Rs. 26 lakhs, though there has been a slight rise in the general imports to 43 lakhs in 1933-34, to 44 lakhs in 1934-35 and further to Rs. 46 lakhs in 1935-36;

(c) "In case of glass and glassware," the imports from Japan have increased from Rs. 57 lakhs in 1933-34 to 64 lakhs in 1934-35 and further to 65 lakhs in 1935-36, the total imports also showing an increase of nearly 17 lakhs in 1935-36 over the imports of 1933-34. The main items of glassware indicating an increase are bottles and phials and sheet and plate glass. Both these are being manufactured in India. The case of sheet glass industry requires particular examination in view of the deplorable condition of that industry and the competition from Japan ought not to be ignored.

Letter No. 774, dated, 11th June, 1936, from the Federation to the Government of India, Commerce Department, was endorsed to the Hon'ble Sir Muhammad Zafrulla Khan, Commerce Member, dated 11th June, 1936.

NOMINATION OF FEDERATION'S REPRESENTATIVES AS UN-OFFICIAL ADVISERS TO GOVERNMENT

Copy of a telegram from Mr. D. P. Khaitan, President of the Federation, to the Hon'ble the Commerce Member, dated 17th June, 1936.

"Press report states Indo-Japanese negotiations commence middle July stop Federation Indian Chambers not yet asked nominate representatives as on last occasion stop Association of non-officials with Government eminently desirable suggest your issuing orders to ask Federation nominate representatives without delay stop."

Copy of a circular letter No. F.801, dated 17th June, 1936, from the Federation to Members of the Committee.

"I am directed to forward below, for your information, a copy of the "Associated Press" message, dated Simla, 16th June, 1936, and of a telegram addresed by the President to the Commerce Member in connection therewith."

Copy of "A.P." message, dated Simla, 16th June, 1936.

"Negotiations for the revision of the Indo-Japanese cotton trade agreement may begin in Simla on July 15. Sir Mohammad Zafrullah, Commerce Member of the Government of India, assisted by Mr. T. A. Stewart, Secretary of the Commerce Department, and Sir Bryce Burt, Vice-Chairman of the Imperial Council of Agricultural Research, is expected to conduct the negotiations on behalf of the Government of India.

Mr. Yonezawa, the Japanese Consul-General was authorized to conduct negotiations on behalf of Japan before he left Tokyo two months ago.

The Government of India have obtained from the Provincial Governments and commercial bodies their views on the working of the agreement and the modifications needed. These will be examined in all their aspects before Sir Mohammad Zafrullah opens the negotiations."

Copy of a confidential letter No. 319-T(1), dated Simla, the 21st June, 1936, from the Government of India, Commerce Department, to Federation.

"I am directed to communicate for the information of your Federation that it is expected that discussions between representatives of the Government of India and of the Government of Japan in regard to the continuation or modification of the existing trade agreements between the two countries will commence shortly after the middle of July and to say that the Government of India would be glad if your Federation would nominate three of its members to serve as unofficial advisers to Government during the course of the negotiations. I am to suggest that in making its nominations your Federation should bear in mind the interests of the minor Indian industries.

2. I am further to say that the Government of India would be glad to have a preliminary discussion of the problems likely to arise in the course of the negotiations before such negotiations commtnce and I am to suggest that the unofficial advisers to Government should assemble in Simla on Monday, the 6th July. On receipt of information as to the names of the advisers nominated by your Federation further details as to the time and place of meeting will bt forwarded directly to the nominees."

Copy of an immediate circular letter No. 818 from the Federation to all Member-bodies, dated 24th June, 1936.

"I am directed to enclose a copy of a confidential letter No. 312-T(1), dated Simla, 21st June, 1936, received from the Government of India, in the Department of Commerce, requesting the Federation to nominate three of its members to serve as unofficial advisers to Government during the course of the Indo-Japanese Trade negotiations. The communication states that the negotiations between the Government of India and the Government of Japan will commence shortly after the middle of July, 1936, and that the Government of India would like to have a preliminary discussion of the problems likely to arise in the course of the negotiations before such negotiations commence and for that purpose, they want the unofficial advisers to assemble in Simla on the 6th July, 1936. The time within which the selection of the representatives must be made is scarcely a week as the names will have to be communicated to the Government by the 1st of July next to enable the Government to forward the papers as also to enable the representatives to proceed to Simla in time. The President would have been very glad if the double procedure could be adopted but it is not possible in view of the shortness of the notice.

He has, therefore, consulted the Members of the Committee available in Calcutta who are guided by the Committee's views previously expressed and by the desirability of continuity.

It may be recalled that when the Government of India approached the Federation in September, 1933, for negotiating the present Indo-Japanese Trade Treaty, the Committee of the Federation felt that their President should be one of the non-official advisers and be associated with the trade treaty negotiations and, at their meeting held on the 11th September, 1933, adopted a resolution that—

> "It was the strong desire of the Committee that the President, Mr. N. R. Sarkar, should be one of the three unofficial advisers to the Government of India's delegation in the forthcoming Indo-Japanese trade negotiations,"

and accordingly the Member-bodies were apprised of this decision.

The non-official delegates who represented the Federation during those negotiations were Mr. N. R. Sarker, Lala Shri Ram and Mr. D. P. Khaitan. Mr. N. R. Sarker does not find it convenient to be on the delegation as he may be out of India before that time. The President, therefore, suggests, in consultation with the Calcutta Members of the Committee, the substitution of Sir Rahimtoola M. Chinoy in his place The following persons may thus constitute the non-official advisers to represent the Federation at the forthcoming negotiations:—

1. Mr. D. P. Khaitan (President of the Federation).
2. Lala Shri Ram, Delhi.
3. Sir Rahimtoola M. Chinoy, Kt. (President, Indian Merchants' Chamber, Bombay).

As explained above, it is not possible for the office to follow the double procedure and in view of this, the President trusts that his suggestions would meet with the approval of the Member-bodies of the Federation and as such, they should communicate their approval to this office not later than Wednesday, the 1st July, 1936, by telegram."

Copy of a circular letter No. F.820, dated the 24th June, 1936, from the President of the Federation to Members of the Committee.

"I am enclosing a copy of a confidential letter received from the Government of India in the Department of Commerce asking the Federation to nominate three of its members to serve as unofficial advisers to Government during the Indo-Japanese trade negotiations. As the time at our disposal is scarcely a week, I have no other alternative than to dispense with the usual double procedure I consulted the Members of the Committee available in Calcutta and it is considered desirable that there should be continuity and the wishes of the Committee expressed on the last occasion should be respected. Yau remember that when in September, 1933, a similar request was made to the Committee of the Federation by the Government, the Committee expressed a desire that their President should be associated with these negotiations and accordingly recommended the name of Mr. N. R. Sarker to the Member-bodies for election. I have enquired of Mr. Sarker whether it would be possible for him to represent the Federation during these negotiations but he declined as he would be out of India during the period these negotiations would be carried on. I have, therefore, recommended to the Member-bodies for their acceptance the names of Lala Shri Ram, Sir Rahimtoola M. Chinoy, Kt., and myself as the President to form the non-official delegation and trust my suggestion would meet with your approval."

Copy of a letter No. F.821, dated 24th June, 1936, from the Federation to Government of India, Commerce Department, Simla.

"I am directed to acknowledge receipt of your confidential letter No. 312-T(1) dated the 21st June, 1936, and to state that the names of the three non-official advisers from the Federation will be communicated to you on the evening of the 1st July, 1936, with their addresses to enable Government to despatch papers in connection with the preliminary discussion to be held at Simla on the 6th July, 1936. I am further directed to request the Government of India to supply one set of the papers in connection with the preliminary conference for the information of this office."

Copy of a telegram from the Federation to the Members of the Committee, dated 29th June, 1936.

"Sir Rahimtoola unable proceed Simla Indo-Japanese negotiations and suggest Mr. Mathuradas Vissanji instead stop President trusts name will meet Committee Members approval."

Copy of a telegram from the Federation to Government of India, Commerce Department, Simla, dated 2nd July, 1936.

"Reference your letter 312-T(1) dated 21st June, three unofficial advisers from Federation are Mr. D. P. Khaitan present address care Sir Jwalaprasad Srivastava Priory Lodge Nainital permanent address 8 Royal Exchange Place Calcutta stop Lala Sri Ram 22 Curzon Road New Delhi stop Sir Rahimtoola M. Chinoy Meher Building, Chowpathy Bombay Please wire them direct time place meeting."

Copy of a letter No. F. 899, dated 2nd July, 1936, from the Federation to Government of India, Commerce Department, Simla.

"In continuation of my letter No. F 821 dated the 24th June, 1936, on the above subject, I am now directed to confirm the wire communicating to you the names of three unofficial advisers from the Federation, as per copy enclosed. I trust it would be possible for you to send to these persons all the papers in connection with the negotiations."

Copy of a Press-note, dated 2nd July, 1936, issued by the Federation.

"The Federation of Indian Chambers of Commerce and Industry having been approached by the Government of India in the Commerce Department to nominate three of its Members as unofficial advisers to Government during Indo-Japanese trade treaty negotiations, the Federation has nominated the following persons:—

1. Mr. D. P. Khaitan, Calcutta, President of the Federation.
2. Lala Shri Ram, Delhi.
3. Sir Rahimtoola M. Chinoy, Kt., President, Indian Merchants' Chamber, Bombay."

Copy of a circular letter No. F. 937, dated 8th July, 1936, to Members of the Committee from the Federation.

"With reference to the telegram despatched by this office to the members of the Committee dated 29th June, 1936, regarding the nomination of Seth Mathuradas Vissanji in place of Sir Rahimtoola M. Chinoy, I am directed to state that as Sir Rahimtoola was prevailed upon by the Indian Merchants' Chamber, Bombay, to accept, the nomination, the idea to substitute Seth Mathuradas Vissanji in place of Sir Rahimtoola had to be abandoned and the three persons originally nominated formed the non-official delegation from the Federation to advise Government during the negotiations, in respect of which a notification was issued on the 2nd instant."

Copy of a letter No. 1674, dated 3rd July, 1936, from the Secretary, Indian Merchants' Chamber, Bombay, to Federation.

"With reference to your letter of the 24th June, No. F. 818 the Committee of this Chamber have already sent a telegram to you approving of the three names mentioned in your letter and informing you that Sir Rahimtoola has accepted the nomination and is proceeding to Simla.

With reference to this question, the Committee of the the Chamber were naturally greatly upset at the procedure adopted by the President of the Federation with regard to the names suggested by him as representatives of the Federation for the Indo-Japanese trade negotiations. While my Committee recognize that the time at the disposal of the Federation was short and restricted, they cannot agree that the procedure adopted was quite suitable under the circumstances and was in order. In the first place, your circular letter appears to have gone to all the Member-bodies as also to all the elected Members of the Committee of the Federation. My Committee are of opinion that the Federation Committee as such does not function at present on account of circumstances which you well know. Sending out a circular letter, therefore, to elected members of the Federation Committee, instead of solving any difficulty, complicated rather the matters. Thus, for instance, your circular letter was addressed to Sir Rahimtoola Chinoy among others, and he suggested the name of Seth Mathuradas Vissanji. When this substitute name was received, the Federation might have well waited for suggestions or recommendations from Member-bodies. Instead of that a telegram was despatched at once to all the elected members of the Federation Committee (and not to the Member-bodies) informing them that Sir Rahimtoola Chinoy was unable to proceed and that he had suggested the name of Seth Mathuradas. Member-bodies as such were entirely ignorant of this new development and even my Committee would have remained so, had it not been for the fortuitous coincidence that some members of the Committee of the Chamber were also members of the Federation Committee, and they informed us about it. Even Seth Mathuradas appears to have received his telegram very late. All this complicated matters for the Member-bodies to a considerable extent. You mention in your letter under reference that

> "the President has, therefore, consulted the Members of the Committee available in Calcutta," etc.

If a member from Bombay had to be taken, it would have been appropriate if the Committee Members in Bombay, of whom there are six, had been previously consulted before a name was put forward on behalf of Bombay. Unfortunately this was not done, and the Federation President himself selected all the three names, putting before the Member-bodies the only alternative of approving them.

While my Committee agree that under certain circumstances, the Federation President has to take some course of action, they regret that they cannot see eye to eye with him with regard to the procedure adopted in this case.

Nomination of representatives on behalf of the Indian commercial community is after all a responsible task and the Federation President might well have consulted as many elected members of the Committee as possible.

This is not the first time that the Committee of this Chamber have been put to the unpleasant necessity of raising their voice against an unconstitutional procedure adopted by the Federation. The Federation as a representative body can only derive its strength and prestige from individual members, and if the Federation chooses to adopt a procedure which is unconstitutional, the Member-bodies will be put to the sad necessity of raising their protest, in whch case naturally the prestige of the Federation would suffer. In this particular case, the Committee of this Chamber have, in order not to disturb the arrangement suggested by your President, given their approval to the three names, but they hope that in future when similar eventualities arise a different procedure will be adopted so that there may be no unfairness to any of the interests represented on the Federation."

Copy of a letter F. 1009, dated 3rd August, 1936, from the Federation to the Indian Merchants' Chamber, Bombay.

"With reference to your letter dated the 3rd July, 1936, regarding the nomination of three representatives of the Federation, I am directed by the Committee to forward to you a copy of the resolution as adopted by them at their meeting held in New Delhi on 25th July, 1936:—

> "That the Committee, after the letter written by the Indian Merchants' Chamber, Bombay, having been read to them confirmed the action taken by the President and were of opinion that the President did the right thing under the circumstances in the best interests of the Federation.

TECHNICAL TRIPARTITE MARITIME CONFERENCE

Copy of Confidential Report submitted by Mr. D. S. Erulkar, London, 6th February, 1936, and circulated to Member-bodies on 5th March, 1936.

"I am forwarding herewith, for your information, a copy of confidential report submitted by Mr. D. S. Erulkar on the work done at the Preparatory Maritime Meeting held at Geneva from 25th November, to 6th December, 1935."

"The Preparatory Maritime Meeting was held at Geneva from the 25th November, to the 6th December, 1935, under the Presidency of Mr. Paal-Berg, President of the Supreme Court, Norway.

The Indian Delegation was made up as under:—

Government Delegate: Sir Bhupendra Nath Mitra.

Advisers: Mr. Aubrey Dibdin, and Capt. E. Whiteside Huddleston.

Shipowners' Delegate: Mr. David S. Erulkar.

Seamen's Delegate: Mr. N. M. Joshi.

The Maritime Conference of 1929 and after:

It may be interesting to refer here briefly to the preceding Maritime Conference. Since the beginning of the International Labour Office three Maritime Sessions have been held, in 1920, 1926 and in 1929. At the 1929 Conference the following subjeits on the agenda came up for first discussions:

(1) Regulation of hours of work on board ship.

(2) Protection of seamen in case of sickness (including the treatment of seamen injured on board ship).

This item includes:—

(a) The individual liability of the shipowner towards sick or injured seamen.

(b) The question of sickness insurance of seamen.

(3) Promotion of seamen's welfare in port.

(4) Establishment by each maritime country of a minimum requirement of professional capacity in the case of captains, navigating and engineer officers in charge of watches on board merchant ship.

In the ordinary course, these subjects should have come up for second discussion in 1930, but owing to serious difficulties arising, mainly because of the objection taken by the British Delegation to the appointment of the Seamen's representative, who, it was urged, was not a Seamen's representative, but a dockers' representative, the Shipowners' Group refused to attend any Maritime Conference until their contentions in regard to the convening and composition of a Conference competent to discuss Maritime questions, were complied with. In consequence of these difficulties, considerable correspondence and negotiations ensued and no decsion in regard to convening a Maritime Conference after the 1929 sessions was arrived at until early in 1935 when the main objections of the shipowners had been removed.

Composition of the preparatory meeting an dits agenda:—

The April, 1935 sessions of the Governing Body considered the agreed proposals of the Shipowners' and Seamen's groups in the Joint Maritime Commission and took certain decisions thereon. Among these decisions were the following:—

(a) Holding a Maritime Conference in autumn of 1936.

(b) Convening in November, 1935, a Preparatory Technical Tripartite Meeting of the twenty-four principal maritime countries to consider (i) Manning in conjunction with Hours of Work: (ii) Holidays with pay for seamen.

(c) Placing on the agenda the question of Manning to be considered in conjunction with Hours of Work.

Being convened in accordance with decisions taken by the Governing Body as a meeting Preparatory to the Conference, invitations were restricted to 24 countries having a certain minimum of gross tonnage on the national register. That will also explain my use in this report of the world "Meeting" instead of "Confernence." Only 16 countries however, sent delegates, including two which sent incomplete delegations.

The aggregate tonnage represented by the countries present, however, amounted to about 50 million tons gross out of the world total of nearly 64 million tons.

Shipowners' Group:—

As usual at Labour Conferences Employers (Shipowners') Group met from day to day to discuss among themselves the line of action to be taken. On the first day the Shipowners' Group met to appoint Committees and Officers on their behalf. When the appointment of the General Purposes Committee came up it was composed of Delegates from Great Britain, U.S.A., Belgium, Denmark, France and Netherlands as Titulary Members. I took exception to the deletion of Japan, which,. I pointed out, had the third largest Mercantile Marine in the world, and was a titulary member on the Joint Maritime Commission. Further, I pointed out that it was usual at all Labour Canferences to constitute the Selection Committee in accordance with the titulary membership of the Governing Body, and since the General Purposes Committee was in the place of the Selection Committee, Japan should be included in her right as a titulary member of the Governnig Body. After some discussion, in the course of which several members agreed with the force of my contentions, votes were taken; but in voting, only the Japanese Delegate and myself voted for my proposal.

Proceedings.

I now come to the proceedings of the Maritime Meetings.

At the second sitting of the Hours of Work and Manning Committee on Tuesday afternoon the 26th November, Sir Bhupendra Nath Mitra, Government of India Delegate, spoke pointing out that since the Government of India did not receive copies of the White Reports until about the end of October, they could not have sufficient time to give consideration to the same, and consequently he had no instructions from his Government to commit them in regard to any matter of substance. I understood privately that Mr. Joshi, the Indian Seaman's delegate, did not intend to raise any question in regard to Indian conditions—so I spoke reserving the attitude of Indian shipowners on the questions before the meeting on similar grounds as those urged by Sir B. N. Mitra.

Hours of work and manning.

Regulation of Hours of Work on board ship was before the first Maritime Conference held in 1920. The proposal for a convention dealing with it was lost by one vote. It was then placed on the Agenda of the 1929 Maritime Conference which prepared points to be included in the questionnaire to the Governments. Although the International Labour Office prepared a draft convention on the lines of the replies then received from Governments, the same could not be considered as no Maritime Conference has been held thereafter.

This question of hours of work was placed on the Agenda of the present meeting in conjunction with Manning, which found approval of the Shipowners, who, particularly the British Shipowners, have contended that the question of hours of work cannot properly be examined at an International Conference indepedently of other relative and important considerations such as Manning, Wages, etc.

Function of the meeting.

The British Government delegate raised a point of procedure in regard to the function of the meeting, which he suggested would be to provide points for a questionnaire to the Governments, and expressed his unwillingness to enter into the merits of the question. Sir B. N. Bitra supported this view in regard to the funcion of the meeting.

This question was settled by a unanimons resolution adopted by the General Purposes Committee to the following effect:—

"That the Preparatory Meeting should proceed with the first discussion of the question of hours of work on board ship and manning on the basis of the White Report (of the Office) and any other documents which may be submitted to it, it being understood that the results of such discussion and any observations made on those results by Governments will be used by the International Labour Office to prepare a final report which may contain a draft for a Convention or a Recommendation, in accordance with Article 6, paragraph 7, of the Standing Orders of the Conference."

The meeting accordingly adopted the view that its proceedings constitute a first discussion of the questions referred to it and that the results of its discusions after they have been submitted to the Governing Body be communicated to the Governments for their observations and after receipt of the Governments replies the International Labour Office should prepare Blue Reports containing drafts for conventions or recommendations so as to provide a basis for a final discussion at the

1936 Conference. In this way the 1936 Conference is enabled if it so decides to treat the preparatory meeting as providing the first discussion.

The Meeting thus took no final decision in regard to the questions before it, expressed no definite opinion as a Meeting, no votes were taken, but merely drew up points for use by the Office for the purposes of providing a basis for the discussion and final decision if so decided at the 1936 Conference.

Committee on hours of work and manning:

After the questions of procedure had been disposed of, the whole Meeting constituted itself into a Committtee on Hours of Work and Manning.

The proceedings of the Committee were based on the White Report issued by the International Labour Office, a statement of general questions submitted by the British Government Delegate and another statement containing proposals submitted by the Seamen's Group.

After the discussions, a Drafting Committee appointed for the purpose, drew up a summary and enumerated the following list of points upon which reference is to be made to Governments:—

(1) Number of officers and men to be carried on deck.

(2) Number of officers and men to be carried in the engine-room and stokehold.

(3) Number of catering staff to be carried.

(4) Number of wireless operators to be carried.

(5) The qualifications required for deck and engine-room subordinate staff.

(6) Limitation of the number of boys, apprentices, etc.

(7) The employment of members of the above staffs in a dual capacity.

(8) Number of watches for officers and wireless operators.

(9) Number of watches for deck hands.

(10) Number of watches for engine-room and stokehold personnel.

(11) Number of working hours per day and/or week for deck officers, wireless operators and deck hands—(a) at sea, (b) in port, and (c) on arrival and sailing days.

(12) Number of working hours per day and/or week for officers and other ratings in the engine-room and stokehold—(a) at sea, (b) in port, and (c) on arrival and sailing days.

(13) Number of working hours per day and/or week for catering and clerical staff—(a) at sea, (b) in port, and (c) on arrival and sailing days.

(14) Definition of hours of work.

(15) General conditions of work on board ship, such as working coal at sea, etc.

(16) The employment of a doctor on ships over a certain tonnage and duration of voyage.

(17) Weekly rest or compensation therefor.

(18) Prohibition of the employment of young persons at night.

(19) Concurrent provisions regarding wages, accommodation, food scales and other conditions of employment.

(20) Measures to be taken to secure observance of regulations concerning hours of work or manning scales.

(21) General and special exceptions.

(22) Joint Committees, national and/or international, to deal with any matters arising out of any international regulations on the foregoing.

GENERAL QUESTIONS:

Under point 21, I should like to draw your attention to remarks of Sir Bhupendra Mitra at the morning sessions on the 3rd December. In the course of his remarks, Sir Bhupendra reserved to his Government the liberty to ask for exception being made under Article 405 paragraph 3 of the Peace Treaty to meet climatic and other conditions. He further referred to the remarks of the late Director, Mons. Albert Thomas at the 1929 Conference regarding the "imperative instructions given under Article 405 paragraph 3" on "the necessity of making provision for the special conditions in particular countries." The remarks of Sir Bhupendra will be found annexed to this report, marked "A."*

In consequence of the point raised by Sir Bhupendra Mitra, I spoke referring to the interpretation of Article 405 paragraph 3 of the Peace Treaty. I pointed out that this question was first raised at the 1920 Conference on the initiative of the British Government when it was sought to exclude Laskars from the operation of the draft convention on Hours of Work then before the Conference; that all along the Government of India had demanded under the exceptions permissible by paragraph 3 of Article 405, the exclusion from the operation of the Convention not of India as a country as they should have done, but the exclusion of Lascars as a category of workers which could not have been contemplated or intended under that article; that in my view that article of the Peace Treaty did not provide either in its wording or by its intention for exception being made in respect of any category of workers, but for exception in respect of a particular country in regard to which climatic conditions or imperfect state of the industry warrant the country's exclusion from the operation of the Convention. I pointed out further that the Washington Conference in 1919 granted such exception in the case of India after the peculiar conditions of India in regard to climate and industrial development had been placed before a committee of the Conference, and such exception then granted applied to India as a country, and not to Indian workers irrespective of the country, climatic and industrial conditions under which they worked. If the contention of the Government of India were correct, I submitted that Indian textile workers working in European mills would be made to work longer hours than the European workers. I emphasised that the position must be unequivocally clarified that any exception under Article 405 paragraph 3 of the Peace Treaty would apply to ships registered in India and not to Indian seamen or lascars working on ships registered elsewhere. My remarks in this connection will be found annexed to this report and marked "B".*

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*Not reproduced.

My remarks immediately elicited a retort from Mr. Jenkins, the delegate for the British Government, who said that in suggesting exceptions, Governments were not bound by the provisions of Article 405 paragraph 3 of the Treaty of Versailles. He referred to my point as a narrow legal point and suggested that the Governments should be consulted on the broad issue as to whether exceptions should be made for particular classes of seamen or for particular trades. Mr. Jenkins' remarks will be found annexed hereto marked "C."*

Holidays with pay:–

A special committee was appointed to consider "Holidays with Pay" under the Chairmanship of Sir Bhupendra Nath Mitra, and consisting of six members from each group.

The basis for discussion was the list of points in the White Report prepared by the International Labour Office and the proposals made by the Seamen's Group.

The British Government Delegate maintained the same attitude on this question as on the question of Hours, viz., that he could not commit his government on the merits of the question.

The Shipowners' attitude on this question may be stated by quoting the following declaration, which has made on their behalf:—

"The shipowners' group considers that the idea of holidays with pay is not consistent with the fundamental condition of the seaman's contract of employment, which is that the contract is for a voyage or for a fixed term. Seamen may have leave between their terms of employment. The analogy with shore employment is erroneous. The seaman's employment must be looked at as a whole. It has its advantagts and disadvantages, and the conditions of shore employment cannot be applied to seamen without a fundamental change in the nature of their contract.

In the opinion of the shipowners' group, the question of holidays with pay for seamen is so closely bound up with the question of pay that it is really quite illogical, and indeed quite unfair, for the International Labour Organization to attempt to deal with this question and leave wages unregulated. To provide that a seaman shall have one day's holiday for every month's employment is simply another way of saying that the wages bill would be increased by 3 per cent. The wages bill varies very widely from country to country, and in some cases there is a difference of 200, or even 300 per cent., as is shown in the maritime statistical handbook which has been distributed to the delegations by the International Labour Office, and the proposed increase of 3 per cent. would, therefore, in cash value, operate two or three times as heavily in the higher wage countries as in the Lower wage countries.

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*Appendices "B" and "C" are not reproduced.

As in the question of hours of work, the social object which is sometimes put forward as the reason for granting holidays with pay is completely negatived by the proposal that leave can be compensated for by cash payment. That is an open confession that the whole matter can be reduced to a question of wages. Holidays with pay for seamen certainly cannot be justified on the ground that it has been granted to shore workers. There are very few countries, and very few industries, in which the workers on land do in fact enjoy paid holidays.

The opinion of the shipowners' group, therefore, is that the question of holidays with pay is, in its very essence, a question of wages, and therefore cannot properly at present be regulated internationally by an international Convention."

There was considerable criticism of the shipowners' above attitude from the Seamen's Group. A list of points on which governments were to be consulted was drawn up. The points are mainly as under:—

(1) Desirability of International Regulation of Holidays with pay for seamen.

(2) Draft convention or recommendation.

(3) Scope of regulation (a) ships, (b) personnel.

(4) Qualifying service (a) period of continuous service with same employer, (b) definition of continuous service.

(5) (a) Rate of leave: Difference of rates of leave for (i) Masters, Officers and persons in similar positions and (ii) Uniform rate for all. (b) Respective rates or rate to be specified (e.g. fourteen and seven days or ten days).

(6) Pro rata leave in respect of more than six months but less than a year's service.

(7) Continuity of leave.

(8) Pay during leave (a) Rate of pay during leave to be either, (i) the average of the full cash salary or wages earned during the period for which leave is due, or (ii) the full cash salary or wages being earned at the time, leave becomes due; (b) Payment of a subsistence allowance during leave and on what basis.

(9) Payment in lieu of leave. (a) In the case of persons remaining in the service, leave as a general rule to be granted and taken; if in exceptional circumstances leave cannot be granted within a reasonable time after it has become due, the employee to be entitled to claim, in compensation therefore, the same total cash payment as would be payable during the period of leave due. (b) In the case of persons leaving the services on resignation or discharge, outstanding claims to leave to be liquidated by cash payment as above.

OTHER POINTS

Under this heading was mentioned inclusion in the International Regulations and on what basis of:

(a) Seagoing auxiliary vessels operated for commercial purposes (e.g. tugs, lighters, salvage vessels) and (b) vessels used for commercial purposes (e.g. tugs, barges, ferries etc.) plying in or about maritime ports.

The French Government representative proposed the following points for consideration:—

(1) What relation is there between annual holidays with pay and the compensating time off allowed for the weekly rest.

(2) What provision should be made in order to avoid duplication between these two types of holidays with pay.

The shipowners' group submitted the following points:—

1. Desirability of fixing different lengths of leave for different trades (e.g., home and foreign trade).
2. Possibility of international regulation of holidays with pay without taking into account economic matters such as wages, etc.

The Seamen's Group submitted the following points:—

(1) Officers:—All officers, including captains, shall be entitled to leave with full pay at the rate of 30 days per year in respect of all service to the shipowner.

The leave shall be computed on a monthly basis:

(2) Other Ratings:—

(a) A seaman who has served on articles of agreement shall be entitled to one day's leave with sea pay, plus a food allowance in accordance with national regulations or collective agreements for each month of such service.

(b) Seamen shall be entitled to take their leave at the termination of any voyage in the home country. Should the owner for unavoidable reasons of service only be unable to grant the leave in accordance with the foregoing paragraph, he shall pay the seaman forthwith the amount to which he may be entitled in lieu of such leave.

(c) For the purpose of ensuring that seamen who have occasion to transfer from one shipowner's employment to another shall receive the full quota of holidays to which their consecutive employment may entitle them, there shall be established a clearing house system to which shipowners shall pay the appropriate holiday monies due to each seaman as provided for in paragraph (a) and in accordance with paragraph (b). In the event of a seaman not being able to take the annual leave to which his service entiltes him, the clearing house shall be responsible for the payment of the monies due to him in lieu of such leave.

(d) All seamen shall be entitled to at least six official holidays of his country.

(e) When a vessel sails on Sunday or on any of the holidays indicated in the foregoing paragraph, each member of the crew shall be paid one extra day's pay, calculated at the rate of 1-30th of his monthly rate of pay.

(f) If any of the holidays referred to in clause (d) are spent at sea, or if a vessel arrives in port, as previously defined, later than 8 a.m. on any one of those days, each member of the crew shall be entitled to one day's shore leave at that port, or by mutual agreement at the next port of call, or in lieu of such leave, one day's pay, calculated at the rate of 1-30th of his monthly rate of pay, with the addition of a food allowance in accordance with national regulations or collective agreements.

In conclusion I would like to offer a few remarks on certain salient points which the Indian Employers' Delegation to the next Maritime Conference in autumn of this year, will have to bear in mind.

It may be taken as certain that the Martime Conference of 1936 will adopt a convention of Hours of Work and Manning. It will be useful for Indian shipowners to formulate their attitude first and foremost in regard to an International Convention, or alternatively, a national agreement. It is interesting to note the attitude of the British shipowners as represented by their Delegation at the Preparatory Meeting, which favours a national agreement and is definitely opposed to an International Convention. I reproduce below the mandate which the shipowners on the British National Maritime Board gave to the British Shipowners' Delegation at the Preparatory Meeting:—

"The owners' side of the National Maritime Board, having in mind that no convention dealing with hours or holidays with pay could be made effective in this country without an act of Parliament; and being of opinion:—

(1) That the principal object for which the International Labour Organization was established is the elimination internationally of unfair competition in conditions of labour,

(2) That the special circumstances surrounding sea employment differentiate it from all other forms of employment and render it less susceptible to regulation by statute,

(3) That the international regulation of manning and hours of labour and holidays with pay involves such matters as

rates of pay, remuneration for overtime and other conditions,

(4) That the effect of any attempt to fix internationally a minimum wage for seafarers in the present conditions of the shipping industry may tend to depress wages in the industry in this country, and

(5) That the National Maritime Board provides satisfactory machinery for the national regulation of such matters as pay, hours of labour and conditions of employment of seafarers,

considers that the policy to be adopted by the British shipowners' representatives to the International Preparatory Maritime Conference to be held at Geneva in November shall be:—

(1) To oppose any International Convention which purports to regulate hours, manning, or holidays with pay, independently of rates of pay, remuneration for overtime and other conditions.

(2) To suggest that as the International Labour Organisation is not at present in a position to make suggestions for the international regulation of wages, these questions can best be dealt with nationally by representative organizations of shipowners on the one hand and of seafarers on the other."

This view would appear to be shared by the British Government from the following statement made at the Preparatory Meeting by their Delegate:—

"I must make it clear that my Government cannot commit themselevs in any way with regard to the attitude which they will adopt on the question when it comes to be considered officially at the Conference which is to be held next year. On previous occasions they have expressed themselves as doubtful whether it was possible to arrive at any international conclusion as to hours of labour at sea without considering allied questions such as rates of pay. They have found themselves in the difficulty that any increase in the number of men carried on a ship bears most hardly on the country which has the highest standard of wages and amenity, and gives the greatest competitive advantage to the country having lower wages and inferior conditions."

I also understand confidentially that the Board of Trade and the British Government Delegate have privately advised that the British shipowners and British seamen should arrive at a national agreement to regulate manning and even in some shape or form, hours of work. Reasons are very obvious Shipping is a key industry of supreme importance to Great Britain. The country's dependence upon imported food supplies renders her export trade highly vital to her economic stability and the interests of a country's exporting industry are best served by her national Mercantile Marine. British shipping does not only help to preserve Britain's export trade, but provides, to an appreciable extent, in the shape of services, the invisible exports which serve to counterbalance the adverse balance of visible trade. In the event of war but for the British shipping, the country's food supplies would be seriously endangered and the country's position rendered extremely vulnerable. With such vital interests at stake, British Government are naturally apprehensive about British shipping conditions being treated internationally which would tend to increase the burdens on a par with conditions existing in other European and American countries, and thereby weaken British shipping in world competition and impair its present position of supremacy. If this attitude is justifiable in regard to highly developed shipping, it must be justifiable in greater measure in regard to Indian shipping which is yet in its infantile stage. International Convention will only increase its burdens on a par with highly developed shipping of the world, which the Indian industry cannot bear. I am not unaware that no machinery like the British National Maritime Board exists to discuss a national agreement, but if the Government of India can be persuaded to keep India out of an International Convention, this difficulty could be overcome.

The second point you will have to consider is your attitude in regard to exception under Article 405 paragraph 3 of the Treaty of Versailles. In this connection there can be no doubt that the Government of India intended the exception to apply to lascars as a category of workers. In other words, under this exception, the Government of India wished to ensure that lascars serving on ships registered in Great Britain would be exempted from the operation of the International Convention on regulation of hours. As far back as 1921 the Government of India in their communication to the Provincial Governments, stated the following:—

> "The Government of India are satisfied that special consideration must be shown to lascars and that it would be unfair to place them on the same level as British seamen in matter of hours of work."

Whatever the reasons underlying this demand on the part of the Government of India for pressing, in fact, for longer hours of work than allowable for British seamen may be, there is no doubt that the British shipowners would, by the exemption of lascars, continue to benefit from the employment of lascars on extremely favourable conditions, compared with Continental and American shipowners. This was evident from the prompt retort which my remarks elicited from Mr. Jenkins, the British Government Delegate. The exception, however, has been urged by the Indian Government on the ground of ensuring employment of lascars on British vessels. According to the last figures available, the number of lascars employed on vessels registered in this country are estimated at about 43,000, as on 15th June, 1934, that is 28.5 per cent. of the total seamen (deck, engine-room and stewards) in employment on vessels registered in this country. According to the definition of lascars in the official census, they are "Asiatics and East Africans employed under agreements for natives of Asia or East Africa which open and terminate in Asia," but by far the greater number are Indian lascars. In view of the point raised by me in regard to the juridical interpretation of Article 405, paragraph 3 of of the Treaty of Versailles, it is to be seen whether the Government of India will now ask for exception in favour of India, but there is little doubt that Great Britain will propose exception in respect of lascars on other grounds and not under Article 405 paragraph 3. You will have to formulate your attitude in regard to (a) exception in favour of India under Article 405 paragraph 3, and (b) a general exception in respect of lascars as a class or category of seamen. In case you prefer not to ask for exception (a), it would be worth while collaborating with Indian seamen's representatives to resist any proposal by the British Government for providing a general exception.

The points for reference enumerated in this report will have to be examined in the light of peculiar Indian conditions. I need not add that these points have been drawn up on the basis of conditions obtaining in Europe and America and it would be futile to attempt to apply them to Indian shipping regardless of due consideration to entirely different conditions without very seriously and even permanently impeding the development of Indian shipping, on which alone, as recent events in Great Britain have shown, Indian seamen can depend for stable employment.

I regret the delay in submitting this Report which was due to my waiting for the necessary papers from Geneva to be sent to you along with this Report, but I regret these papers have not come to hand yet, and, consequently, I had to make rather a detailed report."

NOMINATION OF EMBPLOYERS' DELEGATE TO INTERNATIONAL LABOUR CONFERENCE (MARITIME).

(For previous correspondence on the subject please refer to
Volume No. 2 for the year 1936, pages 257 to 260.)

Copy of an acknowedgment No. L1833, dated 4th February, 1936, from the Government of India, Industries and Labour Department, to the Federation.

"I am directed to acknowledge the receipt of your letter No. F42, dated the 15th January, 1936."

Copy of a communication No. F664, dated 8th May, 1936, from the Federation to Government, Industries and Labour Department.

"I am directed to invite your attention to my previous letter No. F42, dated, Cawnpore, 15th February, 1936, and shall thank you to communicate to me the decision of the Government of India on this question at an early date."

Copy of another letter No. 702, dated 23rd May, 1936, from the Federation to Government of India, Industries and Labour Department.

"I am directed to invite your attention to this office letter No. F.42, dated, Cawnpore, the 15th January, 1936, on the above subject and to request you to communicate to this office the decision of the Government of India in this regard at an early date."

Copy of a letter No. L1833, dated 25th May, 1936, from the Government to the Federation, with copy of a Press Communique.

"With reference to your letter No. F.664, dated 8th May, 1936, I am directed to enclose a copy of the Press Communique which has been issued on the subject."

PRESS COMMUNIQUE

A special maritime session of the International Labour Conference, beginning from the 6th October, 1936, will be held at Geneva, when the following subjects will be on the agenda:—

1. Manning, in conjunction with hours of work on board ship.
2. Holidays with pay for seamen.
3. Protection of seamen against sickness.
4. Promotion of seamen's welfare in ports.
5. Minimum requirement of professional capacity in the case of captains, navigating and engineer officers in charge of Watches on board merchant ships.

The first subject, except the question of manning, and the last three subjects were discussed at the thirteenth session held in October, 1929. The questions of manning, in conjunction with hours of work, and holidays with pay, were considered at a preparatory tripartite meeting of the representatives from the principal maritime States, which was held at Geneva in November-Decembr, 1935. All the subjects will be for final consideration. It is further understood that a second session may follow on the 22nd October if the Governing Body of the International Labour Office decides to submit to the Conference the question of the revision of Draft Convention fixing the minimum age for admission of children to employment at sea.

2. The Delegates representing each Member State at the Conference include two Government Delegates, one Employers' Delegate and one Workers' Delegate. Advisers can be appointed for each group according to necessity and circumstances. The duty of nominating the personnel of the entire Indian Delegation rests with Government of India, who, under the terms of the Treaty of Versailles, have undertaken to nominate non-Government Delegates and Advisers chosen in agreement with the industrial organisations if such organisations exist, which are most representative of employers or workpeople as the case may be. An association will be regarded as representative of employers only if it includes among functions that of dealing with the interest of employers as such (e.g. regulating conditions of employment). The mere fact that the membership of an organisation maintained for other purposes (e.g. the protection and regulation of the commercial interests of its members) includes a number of industrial employers is not in itself sufficient to give that organisation a claim to consideration in the present connection.

3. All suggestions relating to the nomination of non-Government Delegates and their Advisers should reach the Secretary to the Government of India in the Department of Industries and Labour as early as possible and, in any case, not later than the 31st July, 1936.

4. Allowances (on a scale which can be ascertained by application to the Department of Industries and Labour) will be granted by Government to defray the expenses of the Delegates and any Advisers finally nominated."

Copy of a letter No. L1833, dated 29th May, 1936, from the Government of India, Industries and Labour, to the Federation.

"With reference to your letter No. F.702, dated the 23rd May, 1936, I am directed to say that the decision of the Government of India in regard to the nomination of Advisers to the non-official Delegates to the abovementioned Conference will be taken after the receipt of the recommendations of the employers' and workers' organisations in the matter."

Copy of a letter No. F.936, dated 8th July, 1936, from the Federation to Government of India, Department of Industries and Labour.

"With reference to the correspondence ending with your letter No. L1833, dated 29th May, 1936, I am directed by the Committee of the Federation to recommend for the acceptance of the Government of India the following names for nomination of the Indian Employers' Delegation to the above session:—

Employers' Delegate: Mr. M. A. Master, General Manager, Messrs. Scindia Steam Navigation, Co., Ltd., Sudama House, Ballard Estate, Bombay.

Adviser: Mr. D. S. Erulkar, Managing Director, Messrs. Scindia Steamships (London) Ltd., African House, 44-46, Leadenhall Street, London.

The Committee trust that the Government of India would be pleased to accept their recommendation in nominating the Employers' Delegation.

2. In view of the number of subjects on the agenda of the said Conference, the Committee beg to reiterate their suggestion of making available to the Delegate the services of at least two Advisers to enable him to faithfully discharge his duties at the said Conference. In the absence of any indication as to the number of Advisers, the Government would be pleased to nominate, the Committee have suggested the name of one person to be nominated as Adviser. They would be pleased to follow up their recommendation by suggesting the second name for nomination as the second Adviser to the Delegate as soon as they hear from Government that the latter intend to nominate two Advisers to help the non-official Delegate. An early communication in this regard will be much appreciated by the Committee."

Copy of a circular letter No. F.938 dated 8th July, 1936, from the Federation to all Member-bodies and Members of the Committee.

"With reference to the Press Communique dated Simla, 15th May, 1936, calling upon employers' organisations to recommend names for non-official Delegations to the above Conference, and on the recommendation of the All-India Organisation of Industrial Employers, the names of the following two persons are recommended to the Government of India, in the Department of Industries and Labour, for their acceptance as the Indian Employers' Delegation to the above Conference:—

Delegate: Mr. M. A. Master, General Manager, Messrs. Scindia Steam Navigation Co. Ltd., Sudama House, Ballard Estate, Bombay.

Adviser: Mr. D. S. Erulkar, Managing Director, Messrs. Scindia Steamships (London) Ltd., Africa House, 44-46, Leadenhall Street, London.

The President trusts Member-bodies would be pleased to recommend the above names to the Government of India for their acceptance."

Copy of a letter No. L1833 (1) dated 17th July, 1936, from the Government of India, Department of Industries and Labour, to the Federation.

"With reference to paragraph 2 of your letter No. F936 dated the 8th July, 1936, I am directed to say that the terms of the Government of India, Department of Industries and Labour, Press Communique dated the 15th May, 1936, do not lay down any restriction as to the number of Advisers and the recommendation of your Federation relating to the nomination of a second Adviser to the Employers' Delegate may, therefore, be submitted for the consideration of the Government of India. I am, however, to make it clear that, in informing the Federation accordingly, the Government of India do not bind themselves to accept the suggestion for the appointment of two Advisers, which is a matter which will be considered in due course."

Copy of a letter dated 26th July, 1936, from the Federation to Government of India, Department of Industries and Labour.

"With reference to your letter No. L1833 (1) dated the 17th July 1936, I am directed by the Committee to inform you that they recommend the name of Rao Bahadur C. Gopal Menon, "Kelston," 24, Pantheon Road, Egmore, Madras, as the second Adviser to the Employers' Delegate to the above Conference."

Copy of a circular letter No. F.1013 dated 3rd August, 1936, from the Federation to all Member-bodies and Members of the Committee.

"In continuation of my circular letter No. F.938 dated 8th July, 1936, I am now directed to inform you that the Committee of the Federation have recommended the name of Rao Bahadur C. Gopal Menon, Madras, as the second Adviser to the Indian Employers' Delegate to the above Conference."

Copy of a letter No. F.1095 dated 21st August, 1936, from the Federation to the Government of India, Department of Industries and Labour.

"I am directed to request the Government of India to communicate to me the date by which they would be pleased to nominate non-official Delegations to the above Conference.

An early reply will be much appreciated."

Copy of a telegram dated 25th August, 1936, from the Federation to the Government of India, Department of Industries and Labour.

"Reference L 1833 as International Maritime Conference begins sixth October request Government expedite announcement non Government Delegations."

Copy of a letter No. L1537 dated 31st August, 1936, from the Government of India, Department of Industries and Labour, to the Federation.

"With reference to the correspondence ending with your telegram dated the 25th August, 1936, I am directed to say that nominations to the above-mentioned Conference have not yet been decided. The Government of India, however, expect to be able to make an announcement very shortly."

Copy of a Press Communique dated 11th September, 1936.

"The non-official Indian Delegation to the 21st and 22nd (Maritime) sessions of the International Labour Conference, which will open at Geneva on October 6 and 22 respectively, will be composed as follows:—

Employers' Delegate: Mr. M. A. Master with Mr. D. S. Erulkar as Adviser

Workers' Delegate: Mr. Aftab Ali with Mr. Mahomed Ebrahim Serang as Adviser.

The composition of the official Delegation will be announced later in the Assembly."

LALA DIWAN CHAND POLITICAL INFORMATION BUREAU

Copy of a lettter No. T/663 dated 22nd April, 1936, from the Lala Diwan Chand Trust to the Federation.

"I have the honour to inform you that the Trustees of Lala Diwan Chand Trust have decided to appoint a sub-committee for the management of Diwan Chand Political Information Bureau. The Committee will consist of the following gentlemen:—

1. Four Trustees.
2. Two Assembly Members.
3. One Council of State Member.
4. Two Members from Federation of Indian Chambers of Commerce.
5. Professor Sudhakar, M.A., as convener.

I request you to please send me two names out of your members who accept the membership of the sub-committee.

Please note that Lala Shri Ram Sahib, Secretary, the Delhi Cloth and General Mills, Co., Ltd., Delhi, is already a member of the sub-committee as Trustee and Vice-Chairman of the Trust."

Copy of a letter No. F.566 dated 28th April, 1936, from the Federation to the Lala Diwan Chand Trust, Delhi.

"I am directed to acknowledge receipt of your letter No. T/663 of the 22nd instant. Before submitting the letter to the Committee I shall feel obliged if you will be good enough to forward to me a copy of the Trust Deed, of the Rules and Regulations of the Sub-Committee which is to be entrusted with the management of the Political Information Bureau and the functions which the Trustees of the Diwan Chand Trust desire the Sub-Committee to perform and also other relevant matter, for the information of the Committee of the Federation. As there is a likelihood of the Committee of the Federation holding a meeting early in June, I shall much appreciate your early compliance as to the supply of the information referred to above."

Copy of a letter No. T/664 dated 16th May, 1936, from Lala Diwan Chand Trust to the Federation.

"We are in receipt of your letter No. F.566 dated 28th April, 1936, and as desired by you therein we are giving below the exact copy of clause No. 18 (c) of the will of late Lala Diwan Chand Sahib. This will make clear to you the idea for which the Bureau has to be organized. The Board of Trustees has not yet framed any rules and regulations for the Sub-Committee appointed for the management of the Bureau. The same will be framed by the Sub-Committee itself according to the requirements of the management of Diwan Chand Political Information Bureau. So we request you to please send us the names of two gentlemen as representatives of the Federation to serve on the Sub-Committee. On hearing from you we shall arrange to call a meeting of the Sub-Committee for the purpose of framing rules and regulations or any other procedure required. It may be noted that Lala Shri Ram Sahib of Delhi Cloth Mills is already a member of the Sub-Committee as Trustee and Vice-Chairman of Diwan Chand Trust.

Clause 18 (c) of the Will of Late Lala Diwan Chandji

"A Political Information Bureau be founded where political literature of every kind be available and all up-to-date facts regarding subjects which often come for discussion in the Assembly be collected for the benefit of the members of the Assembly so that they may, after studying them, express their views properly and represent the national point correctly. A sum of rupees five-hundred per mensem be paid for the office expenses and the salary of the Secretary or the other staff of this office. And a sum of rupees five-thousand be deposited in cash for initial expenses."

Copy of a letter No. F.1008 dated 3rd August, 1936, from the Federation to the Lala Diwan Chand Trust.

"With reference to your letter dated the 22nd April, 1936, I am directed by the Committee to inform you that at their last meeting held in New Delhi on 25th July, 1936, they elected the following members as their representatives on the Committee of Management of your Political Bureau:—

1. Mr. G. D. Birla, 5, Albuquerque Road, New Delhi.
2. Lala Padampat Singhania, Kamla Tower, Cawnpore."

REVISION OF THE INDIAN COMPANIES ACT.

(For previous correspondence, please refer to Vol. II for the year 1936, pages 238-249.)

Copy of a circular letter No. F.60 dated 30th April, 1936, to all Member-bodies.

"I am directed by the Committee to forward under separate cover a copy of the Bill* introduced by the Government of India during the last Session of the Assembly to amend the Indian Companies Act of 1913 for the use of your Committee. The Committee of the Federation intend submitting a memorandum embodying their considered views on this Bill. They felt that it would be appropriate to ascertain from the Member-bodies of the Federation the views of their Committees on the various proposals incorporated in the amending Bill before the Committee of the Federation formulated their own opinion on the question. I shall, therefore, thank you to communicate to me the views of your Committee to reach this office not later than Wednesday, the 20th May, 1936."

Copy of a circular letter No. F.686 dated 18th May, 1936, from the Federation to all Member-bodies.

"I am directed to invite your attention to my previous letter No. F.599 dated 30th April, 1936, and to request you to forward to me at an early date whatever views you have to offer on the Bill introduced in the Legislative Assembly to amend the Indian Companies Law in India."

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*The Bill is not reproduced in this volume and has been printed as Part V of the "Gazette of India," dated 28th March 1936.

Copy of a letter No. F.717, dated 29th May, 1936, from the Federation to the Government of India, Legislative Assembly Department.

"I am directed to invite your attention to a statement made by the Leader of the House, the Hon'ble Sir Nripendra Nath Sircar, while introducing the above Bill to the effect that a copy of Mr. Sushil Sen's Report and of the conclusions reached at the informal conference with the representatives of the Federation, the Associated Chambers and other Bodies, had been supplied to the Members of the Assembly. I shall feel obliged if you will be good enough to forward to this office, for the use of the Committee of the Federation a copy of these two documents at your early convenience."

Copy of a letter No. 24(2)-Tr.(C.L.) dated 10th June, 1936, from the Government of India, Commerce Department, to the Federation.

"With reference to your letter No. F.717, dated the 29th May, 1936, addressed to the Legislative Assembly Department, I am directed to forward a copy each of Mr. Sen's report on the revision of the Indian Companies Act and of the Minutes of the Proceedings of the Company's Law Amendment Committee for the confidential use of your Federation."

Copy of a circular letter No. F.814 dated 20th June, 1936, from the Federation to all Member-bodies and Members of the Committee.

"I am directed to forward under a separate bookpost a copy of a draft memorandum* which it is intended to submit to Government on behalf of the Committee of the Federation embodying their views on the Bill to amend the Companies Act. The Select Committee of the Legislative Assembly is expected to sit in Simla from 7th August, 1936, and the President feels that the views of the Committee should be made available to Government as also to the Members of the Select Committee at least three weeks ahead of the sitting. He, therefore, suggests that after receiving suggestions from the Members of the Committee and the Member-bodies, the Committee's views should be finalised and forwarded to the Government of India for circulation to the Members of the Select Committee. I shall, therefore, thank you to communicate to me whatever suggestions you/your Committee desire to make on the enclosed draft memorandum to reach me not later than Monday, the 6th July, 1936.

Copy of a letter No. F.855 dated 25th June, 1936, from the Federation to the Government of India, Commerce Department.

"I understand that the Bill to amend the Indian Companies Act, 1913, is already circulated to the Provincial Governments and commercial chambers and associations for an expression of views on the various clauses of the Bill and am rather surprised to find that no reference is made to the Committee of the Federation for expression of their views on the amending Bill by the Government of India. An early reply will be much appreciated."

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*Not printed.

Copy of a letter dated the 30th June, 1936, from the Government of India, Commerce Department to the Federation.

"With reference to your letter No. F. 855 dated the 25th June, 1936, I am directed to say that the Indian Companies (Amendment) Bill has not been circulated direct by the Government of India to any commercial chambers and associations. Local Governments and administrations only were addressed in the matter with the request that they may consult such commercial bodies as they may think fit.

2. I am to add that the Bill has been referred by the Legislative Assembly to a Select Committee which meets on the 6th August next and if the Committee of your Federation is desirous of placing its views before that body the Government of India would be glad to receive them as soon as possible."

Copy of a letter No. F. 914 dated 4th July, 1936, from the Federation to Government of India, Commerce Department.

"I am directed to acknowledge, with thanks, the receipt of your letter No. 24(7)-Tr. (C.L.) dated the 30th June, 1936, along with its enclosure and to note that the Government of India would be glad to receive the views of the Committee of the Federation for the use of the Select Committee of the Legislative Assembly which is expected to meet in Simla on 6th August next. I am further to add that the views of the Committee of the Federation will be forwarded during the course of the next week."

Copy of a telegram dated 6th July, 1936, from the President of the Federation, Simla, to the Federation Office, Calcutta.

"Arranged with Law Member our sending opinion twenty-seventh stop expect leaving Sunday.

Copy of a letter dated 26th July, 1936, from the Federation to Government of India, Commerce Department.

"With reference to your letter No. 24(7)-Tr. (C.L.) dated 30th June, 1936, I am now directed by the Committee of the Federation to forward herewith a memorandum containing the views of the Committee on the amending Bill. It is further requested that the same may be made available to the members of the Select Committee."

Copy of a letter, dated 26th July, 1936, from the President, Mr. D. P. Khaitan, to the Hon'ble Sir Nripendra Nath Sircar, Kt., Law Member, to the Government of India.

"Apropos the conversation I had with you in Simla I am now forwarding to you a copy of the views of the Committee of the Federation on the Bill to amend the Indian Companies Act, 1913, for your use."

Copy of a letter dated the 26th July, 1936, from the Federation to the Government of India, Legislative Department.

"I am directed to enclose a copy of the memorandum containing the views of the Committee of the Federation on the Bill to amend the Indian Companies Act."

Memorandum submitted by the Committee of the Federation of Indian Chambers of Commerce and Industry on the Bill introduced in the Legislative Assembly to amend the Indian Companies Act, 1913, (This is referred to in the letter from the Federation to the Government of India, Commerce Department, dated 26th July, 1936).

INTRODUCTORY REMARKS.

The Committee, before going into an examination of each and every clause in the amending Bill, would at the outset desire to state their views generally on the considerations which should weigh with the Legislature in amending the Indian Companies Act, 1913.

The Federation, as representing Indian commercial and industrial interests in the country, has in the past asked for an amendment of the existing Act in a suitable manner so as to regulate and encourage joint stock enterprises on sound and healthy lines. At its seventh annual meeting held in Delhi on 31st March, 1934, the Federation adopted a resolution to this effect urging the Government of India to take early steps for revising the Act and suggested an appointment of a Committee to consider and report upon the changes necessary in the Act. During 1934, the Government of India approached a number of commercial organizations including the Federation inviting suggestions for amending the existing Act. In response to that invitation, the Committee of the Federation during January, 1935, submitted their views on some of the important aspects of the present Act which required modification. The main points then dealt with by the Committee were:—

(a) Place of the Managing Agents in the development of indigenous industries, their terms of contract, duration of office, etc.;
(b) Floatation of joint stock companies and the minimum requirements of capital prior to their working;
(c) Investment of funds in sister concerns.

The Committee regret to find that the amending Bill, in trying to overhaul the present Act, has attempted to follow the English Companies Act of 1929 without due regard to the difference in conditions between the two countries. It cannot be denied that conditions prevailing in India in respect of industrial finance, banking facilities, and the industrial policy of the Government of India are not identical with those prevailing in the United Kingdom; they are in a great measure responsible for bringing into existence the managing agency system. The managing agency system has played a very significant part in, and been found to be essentially necessary for, the development of indigenous industries by:—

(i) providing substantial capital from its own resources,
(ii) attracting the investing public on account of the confidence in the Managing Agent to subscribe to the necessary capital,

(iii) arranging for finance from the banks on the guarantee of the Managing Agent,

(iv) in most cases coming to the rescue of a concern when in distress,

(v) providing stability and continuity of policy to the concern.
(vi) bringing past experience to the advantage of the concern and

(vii) providing a kind of rationalisation to various concerns working under the same management.

The utility and fundamental necessity of the managing agency system in this country is obvious from the fact that in spite of very adverse criticisms being levelled against the managing agency system in certain quarters for several years in the past, neither the critics nor others have been able to show to the country that industrial concerns except in a few cases can be brought into existence or efficiently managed without the help of Managing Agents. It should be carefully borne in mind that the benefits of the Managing Agency system can, in the main, be available to concerns, and through them to the country at large, only if the Managing Agents who take risks and troubles to bring a concern into existence and to develop the same, can feel reasonably assured of getting the benefits of their pains put forward by them in the early years of the life of the concern. After the first endeavours have become successful, it is natural that there will be people who look on the Managing Agent with jealous eyes and by securing votes, try to oust the Managing Agent from his position. The temptations of lower remuneration, new employments, etc. may often be flourished to put the Managing Agent into an unsafe position with a view to secure control over a successful concern. The Committee would not be surprised to find that for some years before the termination of a period of managing agency, the Managing Agents and the candidates for a managing agency would have to spend their time in collecting votes and the attention of the Managing Agents would necessarily be diverted from their proper task of looking after the concern. Much-needed extensions and expansions of activities would necessarily receive a check for some years before the termination of the period. In stating the above, the Committee are not forgetful of some instances in which heredity has been a disadvantage and the Committee would be glad if even at this stage some suitable method could be devised by the Legislature to avoid the defects of heredity. But if that be not done, the Committee would urge in the interests of the development of trade and industries in the country that any period that may be fixed for the managing agency agreement to be brought up before the general meeting for renewal should not in any event be less than 30 years.

Conditions in India differ from those in the United Kingdom. We find in India total absence of banking facilities by way of industrial banks or investing corporations whereby finance can be made available for industrial purposes. In discussing the reluctance of the present banking institutions in India to finance industries, the Central Banking Enquiry Committee observed in their Report:—

> "This attitude of the banks in India, added to shyness of Indian capital, acts as a damper on the industrial development in India."

Another serious handicap which was referred to by the Indian Industrial Commission as also by the Central Banking Enquiry Committee is the attitude of the Government of India towards industrialization of the country. The policy of discriminating protection which the Government of India have adopted is a passive policy and does not create confidence for the industrialist to venture upon new enterprises as he has no guarantee that the State will protect him, if any such necessity arises, against unfair foreign competition. Though the Government have set up machinery to consider claims for protection, the recommendations of the Tariff Board are not always carried by the Government. The investor in an Indian industrial undertaking has thus no assurance that the industry in which he invests will reach the profit-earning stage or that the profits, when once they accrue, will be maintained by the inauguration of proper protective measures on the part of the Government of India.

Furthermore, investment in industrials has not been a habit with the Indians. Even an educated Indian would rather prefer his savings to be invested either in ornaments or as deposits in banks or in the purchase of gilt-edged securities because of the hazard which an industry in India is to face owing to the apathy of the Government towards industrialisation of the country and to the risk of some big concern coming from outside and establishing itself within the country making it impossible for smaller ventures to continue successfully. All these factors are absent in the United Kingdom, It would, therefore, be hazardous to revise the Indian Act on the model of the British one, particularly in fundamental aspects of the working of a company. Some of the clauses in the Bill are so drastic in nature that these clauses, if incorporated in the Act without reasonable modifications, are sure to act as a serious handicap to fresh industrial enterprise in the country. The Committee, therefore, submit that a very careful and serious consideration should be given to the effects of incorporating such provisions into the body of the Act, otherwise the very object which the people and the Government have in view of encouraging healthy growth of industrial enterprise will be frustrated. With regard to the managing agency system, even the Special Officer could not help remarking that:—

> "In my opinion it is practically impossible in this country to float companies or to carry them on without their help."

Industrial enterprise in this country under such circumstances is bound to suffer as long as the preliminary requisites of industrial finance are not created by Government in the country. The Committee trust that their recommendations with regard to several clauses of the amending Bill will be fully considered by the Legislature before embodying them into an Act. The Committee further suggest that there should be a new section in the Bill to the effect that prosecution of a company should not be allowed by an individual shareholder and they have dealt with this question in detail at the end of their memorandum.

II

REMARKS ON THE CLAUSES OF THE BILL.

The following are the observations which the Committee of the Federation desire to offer on some of the important Sections of the Bill to amend the Indian Companies Act, 1913:—

Clause 2. The word "Managing Agent" should be clearly defined and it should be provided that the Managing Agent includes a person, firm or company who, or which is, by virtue of contract with the company, in charge of the management of the affairs of the company as a whole. The reason is although the word "Manager" is defined in the case of these persons, it is not made clear that the word "Managing Agent" does so.

Section 2(9) of the present Act. The definition of the word "Manager" should be altered so as to make it clear that the word "Manager" used in the Act indicates the person who is in charge of the management of the company as a whole and does not include departmental Managers or Managers appointed for the purposes of the Factory Act or for the purposes of the sugar cane rules, etc. There can be no doubt that the word "Manager" has been used in the narrow sense indicated above both in the Act and in the Bill.

Clause 7. *Section 17.* Regarding the applicability of certain regulations identical with, or to the same effect as, regulations 78-82, there should be no compulsory retirement of the whole body of Directors before the first annual General Meeting and thereat and thereafter the whole body should not retire but only one-thirds of the Directors who should be liable to retirement. The first ordinary meeting is held at a very early stage of the formation of the company and under the existing law, the statutory meeting is held within six months. It would not be in the interests of the company at this early stage that the whole of the Directors should retire compulsorily under the law.

As regards the retirement by rotation, the Directors of the following categories should not be brought within the purview of these regulations:—

(a) Ex-officio Directors,

(b) Directors nominated by the Managing Agents or Managing Directors or such others appointed under authorisation of Articles of Association,

(c) Directors appointed by debenture-holders or any other body of persons not being shareholders.

In case of insurance companies, Directors appointed by policy-holders cannot, for obvious reasons, be brought within the purview of regulations 78-82.

Excluding all these classes of Directors mentioned above, the one-thirds may be applied to the rest of the number of Directors.

Regulation 107.—On a matter like this, no general rule can be laid down to cover the hundreds of varieties of cases which come within the purview of the Companies Act, e.g., a manufacturing company which may have several departments of manufacture and which may for its internal check and supervision keep accounts separately for the various departments, may produce a misleading position of affairs if the several sources be distinguished, nor would it be desirable in the interest of the company itself that the accounts of the several departments should be made public separately. The same applies to expenditure, e.g., in case of an exporting company, if it deals with export business in various products, it would be difficult and even impossible and certainly very undesirable to make public separately the accounts of the different export departments. Matters like this should be left to the guidance of the company at a general meeting which can always lay down in what form the accounts should be presented.

Regulation 113. The requirements of Regulation 113 to the effect, "a notice addressed to him and advertised in the newspapers circulating in the neighbourhood of the registered office of the company" may mean several notices to be advertised. Such a course would be very expensive. It should be sufficient to have a general notice advertised in the newspapers and the names of the shareholders need not be mentioned.

Bearers of share warrants should be treated in the same manner as members having no registered address in British India.

There is no reason why all these regulations mentioned above should apply to private companies.

Clause 13. *Section* 34 (1). The Committee consider that a company should effect a transfer where the formalities, namely, the application signed by the transfer and the transferee and accompanied by the share script, are satisfied, subject to the right of the Board of Directors to refuse to register a transfer. If both the transferer and the transferee are agreed, there is no reason why the giving of a notice to the transferee should still become compulsory.

The period of four weeks allowed for an objection to be made by the transferee from the date of the receipt of the notice is rather long and the period should be curtailed to one week from the date of despatch of the notice.

Clause 14. *Section* 35*A* The new Section 35A is based on English law, but the conditions in India differ from those in England. Minors in India often come to be owners of shares by inheritance or survivorship or as members of a joint family. It is often found advisable to invest a portion of the estate of a minor in sound shares. It is to the advantage of the minor himself that such shares should be registered in his name in order that the guardian may not be easily able to appropriate the shares to his own use. In case of joint holding, e.g., in case of a joint family, there is no reason why the name of the minor should be examined. The Articles of Association always provide how shares owned by minors are to be dealt with. If the clause is enacted, it would be particularly harmful to the minor members of a family in cases where concerns are converted into private or public limited companies. The same arguments apply to persons of unsound mind.

So far as the Committee are aware, no difficulty has been experienced in the past on account of the absence of any provisions like the proposed Section 35 A in the existing law. There is therefore, no reason why a change in the law should be made.

Clause 15. *Section* 36 (2).

A period of 10 days may not be sufficient in certain cases specially where there are thousands of shareholders. It is, therefore, suggested that either 14 days or a longer period should be allowed under this clause.

Clause 18 *Section* 50 (2).

There is no reason why the powers conferred under this Section, except with regard to a sub-division of shares, should be exercised by a special resolution. The existing Section 50 of the Companies Act is quite sound and no amendment thereto is called for.

Clause 21. *Section* 66*A* (3).

Though the new provision is copied from the English Companies Act, the Committee would like it to be made clear that the court, in taking note of all the circumstances of the case, should satisfy itself that such a variation is not in the 'bona fide' interests of the company as a whole; then only the variation should be disallowed, otherwise the court should confirm it.

Clause 23. *Section* 76 (1).

As accounts of companies are prepared for a whole year, the accounts cannot be presented to a general meeting if it is held within one year from the date of incorporation. Clause 54 of the Bill provides for a maximum period of 18 months. The Committee fail to understand why a general meeting which will mean an additional meeting should be held within one year. The statutory meeting of the company is elsewhere provided for. The term of one year should, therefore, be altered to 18 months as in clause 54.

Clause 29. *Section* 83 (4).

With a view to discourage frivolous inspections of the minutes of the proceedings, there should be a provision made entitling the company to make a charge not exceeding Re. 1 per inspection and there should be a provision that notice of such inspection should be given to the company.

Sub-section (5) may present some technical difficulty as the minutes are often settled by solicitors and they may not be ready within seven days of the holding of the meeting. It should, therefore, be provided that a member should be entitled to be furnished with a copy of the the minutes within three weeks after the holding of the meeting or within seven days of the request, whichever is later.

Clause 31 *Section* 83*B* (2).

Directors appointed by debenture holders, policy-holders, or any other body of persons not being shareholders should be excluded from the computation and "the whole number" should be deemed to mean and include the Directors exclusive of the Directors so appointed.

Directors first appointed should not come within the purview of this Section but the provision should be applicable only at the time of retirement by rotation.

Clause 33. *New Section after Section 86.* The intention being that only one-thirds of the Directors should be nominated by the Managing Agents, the wording of the clause should be made clear.

86C. The modifications made in this clause need not, in the opinion of the Committee, be applied in the case of private companies.

Instead of the words "negligence, default, breach of duty or breach of trust," it should be "breach of trust or wilful breach of duty." The Committee feel that the intention of incorporating clause 86 C is to hold Directors liable for any deliberate act purporting to be breach of duty or breach of trust and the clause, therefore, requires modification as suggested above.

If Clause 86 C is enacted without the amendment suggested above, it will be very difficult for companies to get good Directors. Directors guide the general policy of the company and cannot be expected to be on the watch of what others are doing.

86D. The Committee feel that in addition to the provision made under this sectiin, in case of non-Banking companies loans to Directors or auditors should be prohibited whether they are out of money belonging to the company or borrowed moneys.

86E. The following addition should be made to the clause after the word "banker":

> "or a technical expert or except as interested in the firm or company of Managing Agents."

This clause purports to follow Article 72 of Schedule 1 of the English Companies Act, 1929, without the proviso attached to that Article. The Committee are definitely opposed to the inclusion of such a clause which is bound to affect the present management of indigenous industries. If there is no proviso made on the lines of the British Act which lays down that a Director shall not vacate his post by reason of his being a member of any corporation which has entered into a contract with, or done any work for, the company if he shall have declared the nature of his interest in the same manner in Section 149 of the Act. Further, it lays down that the Director shall not vote in respect of any such contract or work or in matters arising thereout and if he does so vote, his voting shall not be counted. The Committee think that the addition of the proviso from the British Act is necessary.

86F. The Committee are opposed to the incorporation of this Clause in the Act as this would prevent the debenture-holders from appointing their Trustee as a Director although the Trustee, if appointed as a Director, would be better able to protect the interests of the debenture-holders. Conversely, a person who has been and is a Director of the Company is better able than a stranger to act as a Trustte for the debenture-holders for the purpose of protecting their interests. In any event, the Section should not be allowed to disturb the existing arrangements where a person is both Director and Trustee; such a disturbance is apprehended because of the use of the words "or be eligible to act as", which words should, in any event, be deleted.

The following addition should be made at the end of sub-section (e):— 86*I* (*e*).

> "or a technical expert or except as interested in the firm or company of the Managing Agents."

In sub-section (f), the Committee suggest that instead of "absence for a continuous period of three months," it should be "absence from three consecutive meetings or a period of six months whichever is longer." In some cases, meetings are held quarterly and in such cases even absence from one meeting will disqualify a Director.

87 (1) The word "Manager" should be taken out, unless the definition of the word as suggested above is accepted. In big concerns that have certain branches, Managers are liable to transfer from place to place. Besides, persons, who are really not Managers, have to be given that designation for different statutory purposes, such as, Factories Act. Sugar Cane Rules, etc. **Clause 34.** *Section* 87 *of the Act.*

87 (2) It should be "operation" instead of the word "opening" in the end. It seems to be a printing mistake.

87 (3) The company should be entitled to make a charge not exceeding Re. 1 per inspection and a member of a company should be required to give intimation to the company about his inspection.

87 (6) This sub-section purports to follow the British Act but the conditions are not identical with regard to Indian companies and therefore it should be deleted.

Subject to the remarks made in the introductory part of this memorandum, the Committee beg to convey their views on the various Sub-clauses under Clause 35 in case it be decided to include provisions on the lines of the said sub-clauses. **Clause 35**·

The Committee presume that the proviso under 87 A(2) in intended to, as it should, apply to Sub-section (1) also as the conditions in both cases are the same. On account of the full point at the end of sub-section (1) and the colon at the end of sub-section (2), an interpretation is possible that the proviso applies to sub-section (2) only. This anomaly should be corrected. *Section* 87*A*

In the third line of the proviso, the words "all moneys due" should be replaced by the words "all moneys due to or guaranteed by the Managing Agent."

There is no provision made to the effect that the retiring Managing Agents are eligible for re-appointment and that they continue to hold office until their successors are appointed and take charge of the office and provision should be made therefor.

The period for the term of managing agency is put down by this Section at 20 years. As a result of the opinions expressed by the Member-bodies the Committee submit that the term of Managing Agency should be for 30 years. *Section* 87*A* (1).

87*A*(2). The Committee are of opinion that the same term of 30 years should apply in case of old Managing Agency agreements.

87*B*(*e*). Under this clause, it seems that the first appointment mentioned in the Articles of Association of the Managing Agent is also subject to an approval by the company by an ordinary resolution. The Committee are opposed to such a provision as the appointment of Managing Agents mentioned in the Articles of Association should be valid and not subject to any approval, as it is they who promote the company and take pains to have the shares subscribed. The position of such Managing Agents should not be made insecure by enabling exploiters to elbow out the managing agents who have made the floatation successful.

The Committee suggest that the following be substituted in place of this sub-section:

> "Any variation of the Managing Agency contract of management which confers any additional benefit on the managing agents shall not be valid unless approved by the company by a resolution at a general meeting of the company."

87*C*(2). In calculating "net profits," interest on loans for capital account should not be deducted from the gross profits and should be distinguished from "interest on loans and advances" for working capital. Interest on debentures when raised for block-expenditures should not be deducted from the gross profits. For example, debentures are often raised in lieu of share capital sometimes because it is expected to pay off the debentures at an early date out of profits and sometimes because it is not possible to procure the whole amount required for block account through the sale of shares. In either event, the shareholders benefit from a smaller amount of share capital and the division of the profits in proportion to such smaller amount. Interest on loans for capital account is, in a way, of the same nature as dividend paid to shareholders.

87*C*(3). The Committee presume that the sub-section (3) has been inserted in the Bill because the question as to whether there should be the managing agents for insurance companies or not and if so, in what form remuneration should be payable to them, will be discussed when insurance legislation is undertaken, and in the circumstances, the Committee do not at this stage make any observations.

87*D*(1). The word "a" in the fourth line before the word "company" should be substituted by the word "the." There is no reason why a company should not lend its surplus fund to a substantial firm or company simply because it is the managing agent of some other company. The use of the word "a" seems to be a mere slip.

The Committee are of the opinion that in no case should the Managing Agents be allowed to borrow money from the company.

87*D*(2). Current account of a company with its Managing Agents should be allowed subject to the proviso that the maximum amount to the debit of the Managing Agents should not exceed Rs. 25,000.

87*E*(1). The Committee approve of this clause.

The Committee suggest deletion of the following words: "unless the purchase...... ... .company", and that the sub-clause shall not apply to a subsidiary company. 87*F*.

The Committee do not agree to the power of the managing agents being restricted as regards the investment of surplus funds of the company. As a safeguard against indiscreet investment of company's funds, the Committee suggest that the general approval of the Board of Directors to invest the surplus funds of the company in certain scripts or in certain manner should be sufficient. The prevention of the delegation of powers to the managing agent will in actual practice produce great inconvenience and deadlock. The actual transaction and the signatures have to be done by the managing agent. Surplus funds of a company have often to be invested for short periods and without lapse of time. If a meeting of the Board of Directors is to be called for each individual transaction, it will entail undue and unnecessary cost (in the shape of Directors' fees) and delay. 87*G*.

The Committee are constrained to remark that this clause, in the practical working of joint stock companies, will be a standing obstacle to successful industrial enterprises. In India at present, there are a number of industrial concerns under the management of the same Managing Agent, and it has been found that the experience and the expert knowledge which these Managing Agents bring to bear upon the administration of these concerns, have always tended to diminish the overhead charges of all the concerns under their management. There are scarcely any instances where the administration has suffered because of the Managing Agents controlling another competing concern of the same nature, but the existence of such cases, if any, does not justify incorporation of such a clause in the amending Bill. Instances are not wanting in the industrial development of this country of small failing concerns which, when brought under the management of a powerful managing agent, have become prosperous due to the tact, experience and expert knowledge of the managing agent who has the experience and administration of controlling other concerns of similar nature. The Committee would like to point out that particularly in the cases of jute, cotton, coal, tea and sugar industries, the phenomenon of a firm managing a number of concerns of the same nature as their managing agents does exist, but such an arrangement has always been to the advantage of the industrial concerns of the same nature as their managing agents does exist, but such managing agents in the conduct of these concerns are bound to be to their interest. The public are found to be more ready to subscribe to shares when the managing agent has previous experience of similar business than otherwise. There is another aspect of such an arrangement which appeals to the Committee and it is that in the control of several industrial concerns of the same nature, the Managing Agents are able to introduce standardisation and diversity in the products of these concerns which would not be possible if such concerns are individually managed by separate managements. 87*H*.

The word "competes" is very ambiguous. In law, two concerns of a similar nature would be deemed to compete with each other, although in practical effect it has been found from practical experience in the above-mentioned industries that no one concern suffers from competition from the others in the sense in which the word is ordinarily understood.

If such a clause is enacted into law, the effect would be to shut out experience and encourage experiments with industries by inexperienced hands. The Committee fail to understand how the insertion of a clause of this character should even be conceived. The Committee further fail to understand what the intention is as regards existing concerns of the same or competing nature under the same management. The words used are "shall not engage." Carrying on existing business will perhaps be interpreted as engagement therein. It would upset the entire economic structure and money markets of the country if it is intended that existing concerns should suddenly be deprived of their existing managing agents who are running quite successfully.

Clause 37 *Section* 91*D* (2). The Committee feel sure that the effect of the amendment has not been realized by the framers thereof. Specially in Calcutta and Bombay, brokers acting as agents of companies daily enter into a large numper of contracts (with the company as undisclosed principal) for the purchase and sale of raw materials, finished products, etc. It cannot be imagined how such brokers can possibly send copies of all contracts to all the Directors and auditors of all the companies on whose behalf they work.

Even in other cases, it cannot be possible for an agent to send copy of the memorandum to each of the Directors and auditors. It should be sufficient if the company maintains a register in which all these contracts are entered into and is kept open to inspection to Directors and auditors.

The existing provision which requires a memorandum being laid before the Directors at their next metting is quite an ample safeguard against concealments and frauds. This clause should, therefore, be deleted.

Clause 38. *Section* 93 (*ff*). *Section* 93 (*b*)1*A* (*ii*). The Committee are opposed to the inclusion of such a clause in the Act as such a statutory obligation on the part of the Managing Agents may not be fulfilled owing to lack of correct information on the points referred to in the sub-section. It seems to the Committee that the idea behind this sub-section has a reference to the floating of certain companies when running proprietory concerns are converted into public limited comapnies. In such cases, it would be reasonable to call for information on points referred to in this sub-section but under no circumstances should the clause be applied to each and every company wherein such a previous link does not exist. The Committee, therefore, suggest that there should be a specific mention for the application of the clause to such specific cases only. In the case of a business purchased from a stranger, all that is seen is the exsiting assets and what according to the purchaser are the future prospects. The purchaser does not concern himself with the inefficient management of the holder in the past. In the case of a private owner, he may refuse to give such information as is wanted by these clauses.

Clause 41
***Section* 101.**

The new sub-section aims at discouraging allotments with insufficient capital. But conditions in India being different from those in England, it is not advisable to merely copy the corresponding section in the English law, as has been sought to be done. The paranthetical clause, namely, "if any part thereof is to be defrayed in any other manner" does not appear to be quite clear about its meaning. In India, the practice is to defray the expenses of block account partly by share capital, partly by debentures and in several cases, partly by moneys advanced by the managing agents or by long-term deposits. The Committee believe that it is the intention of the framers of the clause to include these methods in the said paranthetical clause. To avoid any misunderstanding, the Committee suggest that the meaning of the paranthetical clause should be made clear by including those methods. Arrangements with financers are recognized methods by which capital and specially working capital may be found. Otherwise the inclusion of 'C' and 'D' dealing with the repayment of borrowed moneys and working capital would mean that a concern cannot be started unless sufficient share capital is raised for the whole of the block account and the whole of the working capital. In the circumstances, the Committee suggest that the meaning should be made clear as aforesaid.

Clause 41.

Even if the meaning be made clear as aforesaid, the position laid down by clause 41 (i) is not satisfactory. It can be best explained by an illustration (for which purpose the Committee presume the meaning will be made clear as aforesaid).

A combany is proposed to be started for establishing a cotton mill with 20,000 spindles and 500 looms. The estimated requirements will be as follows:—

Block account Rs. 25 lakhs Shares offered to public Rs. 15 lakhs.
Debentures to be raised or finance arranged by the Managing Agents ... ... Rs. 10 lakhs.
Working Capital 10 lakhs. To be arranged with banks or financiers or advanced by Managing Agents.

In the above illustration even if the meaning is clear as aforesaid, unless shares of the total value of Rs. 15 lakhs be fully subscribed, the promoters of the company cannot even proceed to allotment. From practical experience, it is known that it is necessary to make allotment on the reasonable portion of the offered shares being subscribed. Time is thus obtained by the managing agents to negotiate for the purchase of machinery, etc., and to make arrangements for the sale of shares; if allotment is precluded from being made until the total amount is subscribed, it will be very difficult for companies to be made successful unless the promoters are in a position and are prepared to subscribe the total amount of shares which may be left unsubscribed within a short period.

In these circumstances, it should amply meet the case if instead of the words "whichever is higher", the words "whichever is lower" are substituted. The effect of this in the above illustration will be that unless shares of the value of Rs. 5 lakhs are subscribed, no allotment can be made.

It may be further made clear that readers of the Bill by itself have been found to ignore the existence of Section 101(4) which provides that if the conditions laid down have not been complied with on the expiration of 120 days after the first issue of the prospectus, all moneys received from applicants for shares shall be forthwith repaid to them and the directors of the company are jointly and severally made liable to repay the money.

While Section 101(4) is an ample safeguard against subscribers being kept hanging for an undue length of time, that section, read with clause 41 (of the Bill), would mean that unless the full amount required is subscribed within 120 days, the enterprise will have to be abandoned altogether.

In the circumstances, the Committee emphatically suggest that the meaning be made clear as aforesaid and the word "lower" be substituted in place of the word "higher".

The Committee further suggest that it may be provided that the block capital must be furnished by shares, debentures, and or moneys advanced by, or on the guarantee of, the managing agents. If that is not done within six months from the date of allotment, the money will be refunded to the shareholders and it should not be necessary to take the company into liquidation.

Clause 44. *Section* 101 *A*(1). Beyond the sanction of the general meeting of the company, it should not be necessary to secure the sanction of the court. If necessary, 10 per cent. of the shareholders in case of disagreeing with the proposal to issue shares at a discount should be entitled to apply to the court, prohibiting the company from issuing such shares.

The Committee do not think it necessary for any limit to be laid down as regards the maximum rate of discount at which the shares are to be issued.

Cases can be easily conceived in which a manufacturing concern, either on account of its smallness of size or on account of some machinery having become obsolete, is not making profits and the market price of shares may be at even 50 or 60 per cent. discount. The existing shareholders do not stand to lose if new shares are issued at or about the current market price. In fact, shares cannot be sold at higher prices. The issue of new shares, however, would be greatly beneficial to the company, that is. to the existing shareholders as it would enable, the concern to be put on a profitable basis. It would, in the circumstances, be very inadvisable to fix a maximum rate of discount by legislation.*

105*B*(1). The Section restricts the redemption of preference shares under certain conditions. The Committee do not see any reason why these shares should be redeemed only out of profits of the company and not out of the proceeds of assets belonging to the company. The company may come in possession of certain properties or assets which it may not require in its normal working. Such assets can, without deteriment to the interests of the company, be utilized for the purpose of redeeming preference shares. There is no point also in laying down that such preference shares should be fully paid up. The Committee, therefore, suggest the whole of sub-section 105 B (1) should be deleted.

105B(2).

It is unnecessary to have such a statement in the balance sheet of the company.

Clause 48. *Section* 19 (3).

It does not seem fair that when a Receiver or Manager of the property of a company is appointed, every Director, Secretary or other officer of the Company should be made liable for any default.

Clause 53. *Section* 130 (3).

This Section should be deleted as in practical working it would not be possible for a Director of a company to be responsible for certain details as regards keeping of accounts of the company in its day-to-day working. The Manager or the Managing Agent is alone the person who is likely to be in the know of the manner in which the accounts of the company are kept, and the Director should not be held responsible for such acts of administration and the sub-clause should, therefore, be deleted.

Clause 54. *Section* 131 (3).

The Committee fail to understand the justification of roping in "private companies" along with public companies under this Section. The existing rule allowing exemption is necessary as in case of private companies, the public are in no way concerned, it being the mutual concern restricted to a small number not exceeding 50 and the requirements laid down under this Section need not be enforced on a private company and the sub-section should, therefore, be deleted and exemption allowed as in the present Act in case of private companies.

Clause 66. *Section* 153 *A* (2).

There seems to be no provision for the protection of the rights of secured creditors. The rights of secured creditors should, therefore, be protected unless they themselves agree to abandon them.

Section 153 *A* (3).

The period of seven days seems to be rather inadequate, as generally in the High Court more than this period is taken in the drafting and signing of the Order.

Section 153 *B* (1).

A provision is made for approval by the holders of not less than 9/10ths of the value of the shares affected. This should be 75 per cent. in value, as is provided for at all other places.

Clause 82. *Section* 208 *C* (3).

This sub-section refers to confirmation of a special resolution while clause 27 of the amending Bill already does away with the necessity of confirmation. The sub-section should, therefore, be amended by substituting the word "passing" in place of "confirmation".

After Clause 92

The Committee suggest the part 8 of the existing Act should be made applicable to joint Hindu families as it will greatly facilitate the task of such families who desire to convert themselves into limited companies. They, therefore, suggest that a clause should be added in the present amending Bill to that effect.

Part X A. 277 *E* (2).

"Drawing of Bills" should be included in the forms of business which are allowed to a banking company under this sub-section.

Banks, in order to have their own buildings for the purposes of having their offices, godowns, officers' quarters, staff's quarters, etc. have to purchase, sell, take on lease, give on lease and exchange properties. The clause as drawn would not permit this straight-forward manner but if the clause is enacted as drafted, the banks would have to go through a round-about course of first taking the properties on mortgage and then purchasing them. It is, therefore, advisable to include these within the forms of business that the bank is permitted to do.

277 *H.* The working capital which would enable a bank to start its business should be fixed at minimum limit of Rs. 1 lakh and not Rs. 50,000 as provided for in this Section.

282 *B.* In the second line after the word "employees", the words "or by candidates for empoyment" should be added as in certain cases, moneys or securities are deposited along with an application from candidates seeking employment in a banking Company.

In the sixth line of this Section, the words "or other scheduled banks" should be inserted after the words "the Imperial Bank of India."

282 *B* (2). There should be a provision that instead of all the moneys of the fund, at least 60 per cent. of the fund should be invested in trustee securities. The words "Clauses (A) to (E)" should be deleted, so that investment may be made in all forms of trustee securities as laid down from time to time. The Committee have suggested 60 per cent. because the employees themselves, with a view to earn a larger amount of interest, are keen to invest a substantial portion of the provident fund in good debentures, preference shares, etc. They should not be absolutely debarred from doing so.

The following new suggestion is made by the Committee for incorporation in the amending Bill:—

PROSECUTION OF A COMPANY BY SHAREHODLERS.

The present Act allows for the prosecution of the officers or office-bearers of a public company by a shareholder for Acts of omission, etc. under the various clauses of the Act. It is even open to an outsider, not being a shareholder, to drag a company to a court of criminal law for similar reasons. In a majority of cases which have so far come before the court, it has been found that such prosecutions have failed but at the same time they have caused an amount of damage to the Company and have involved them in unnecessary and heavy cost. Instances of this in Bombay are numerous. The company is either subjected to the risk of losing its credit and status in the eyes of the public or has to incur huge sums towards defending itself against such frivolous complaints. It is, therefore, suggested that there should be a clause in the amending Bill to the effect that no individual action should be allowed in the case of a public company and that prosecution should only be allowed if it is either supported by, say 10 share-holders of the company or by those representing 5 per cent. or so of capital whichever is smaller. Such a clause would safeguard a number of companies from unnecessary harassments.

Copy of a letter No. F. 1215 dated 7th September, 1936, from the Federation to Members of the Committee, along with the enclosure.

"I am directed to forward herewith a copy of the Government of India Gazette in which is published the Select Committee's Report on the above Bill. I shall much appreciate if you have any views to offer on the enclosed Report for being conveyed to the Members of the Assembly. I understand that the Select Committee's Report will be taken into consideration by the Assembly during the third week of this month."

REVISION OF THE CUSTOMS TARIFF

Copy of a letter No. F. 806 dated 18th June, 1936, from the Federation to the Members of the Committee.

"It appears from a Press report that in pursuance of a statement made by the Finance Member while introducing the Budget proposals in 1935, the Government of India have appointed a Special Officer to examine the present customs tariff and to submit recommendations to Government regarding its revision. The Press report further says that the report of that Special Officer on the tariff revision has been completed. I am directed to enclose a copy of a draft communication* to be addressed to the Government of India in this connection and shall feel much obliged if the Members of the Committee will be good enough to forward to me their views and suggestions on the enclosed draft to reach this office not later than Monday the 29th June, 1936."

Copy of the "United Press" Report dated Simla, 13th June, 1936.

"The denunciation of the Ottawa Agreement is likely to delay the revision of the tariff system which was foreshadowed in the Finance Member's speech last year. It appears that the Special Officer's report on tariff revision has been completed but action is being delayed owing to emergence of subsequent factors like the denunciation of Ottawa Agreement and the proposal to have a fresh Trade Agreement with the United Kingdom.

While a general tariff revision may take time it is likely that changes in duties on certain luxury articles, like spirits may be proposed at an early date. Such articles, it is authoritatively believed, have reached a stage when the level of duty on them has begun to yield diminishing returns.

Since customs forms a very important source of revenue of the Central Government and gets added importance as a result of the Niemeyer Report under which the Centre would part with income-tax to the provinces, the revision of tariffs raises fiscal issues which deserve close consideration. Accordingly the revision of tariffs would take time yet."

Copy of a letter No. F. 895 dated 1st July, 1936, from the Federation to Government of India, Finance Department.

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* Not printed.

"I am directed by the Committee of the Federation to invite the attention of the Government of India to a "United Press" message dated, Simla, 13th June, 1936, giving an indication of the Government's intention to propose certain changes in the schedule of the customs tariff based on a Special Officer's Report. I am enclosing a cutting of the said report for easy reference. The Committee are aware that the Finance Member, in presenting the Budget Proposals for the year 1935-1936, expressed an opinion that it was not possible for him to take the first steps in the revision of the customs tariff in a downward direction. Examining this statement of the Finance Member, the Committee expressed the view that:—

> "Whilst it is true that a combination of emergencies has led to the imposition of the existing revenue duties, some of the revenue duties have undoubtedly provided protection to a number of smaller industries in the country. The claims for direct protection of these industries are irresistible, but have not been pressed in view of the existing revenue duties. The Committee, therefore, feel that if the industrial position of this country is not to be jeopardised, any revision of our revenue tariff in a downward direction should be a matter of very slow and gradual process coupled with simultaneous provision of direct protection to those industries which have hitherto derived only incidental assistance from the revenue duties."

The Committee are now surprised to learn that the Government of India have already instituted an enquiry into the question and that the report of the Special Officer is submitted to them. This information coming close upon another press note that the Tariff Board has been dissolved by the Government has given rise to a great deal of anxiety in the minds of the public, specially by those that are engaged in small industries.

The existence of the present revenue duties has no doubt encouraged development of small industries throughout the country and the Government would be giving a rude and irreparable shock to the preservation and development of industries in India if they are to initiate a tariff reduction in the present scale of duties without according adequate protection to these small industries that are built up behind the revenue tariff. The question assumes much greater importance at present owing to the fact that most of such industries have been started by persons of the middle class among whom unemployment has been very severe. The Committee feel that a general reduction in the customs tariff based on the findings of a departmental report may have disastrous consequences. It is no use pointing out that these small industries should apply for protection to the Tariff Board as it is not so easy in their case to seek it through the existing machinery. A number of small industries is still not sufficiently organized and lacks both knowledge and resources for making proper use of the machinery for obtaining protection. Until, therefore, some suitable agency is provided for the small industries to have their individual cases properly considered by the Government of India, any unilateral decision on their part, by way of reduction of duties, would carry the risk of killing these small industries several of which are still in their embryonic stage.

The Committee suggest that if the Government are anxious to overhaul the present customs tariff structure, they should appoint a small committee to go into the whole question as also the question of replacing the existing revenue duties by adequately protective ones, as they feel that any tampering with the existing tariff structure may result in causing serious and unjustifiable disturbances to the economic fabric of the country. The Committee are much concerned over the indications of the Government's policy in this regard and would like to be assured that no hasty action will be taken by Government unless the whole question is thoroughly investigated by a competent committee with which are associated accredited representatives of the mercantile community. I am further to request that the Government would be pleased to forward a copy of the Special Officer's Report for the information of the Committee."

Copy of a letter No. 981-Cus. I. 36, dated 9th October, 1936, from the Government of India Finance Department to the Federation.

"I am directed to reply to your letter No. F. 895, dated the 1st July, 1936, on the above subject. That letter is based on certain misapprehensions drawn from unfounded reports. In the first place, the suggestion that the Tariff Board has now been dissolved by the Government is inaccurate in its implications: the correct position was recently explained by the Honourable the Commerce Member in the Legislative Assembly in a speech on a motion for the adjournment of the House. In the second place, no regular inquiry has been instituted by the Government, nor have any proposals for the downward revision of the revenue tariff been formulated on the results of such inquiry. Material has been compiled departmentally relating to the operation of the existing revenue duties; such material is intended for departmental use and not for publication.

I am to add that the revenue necessities of the Government have been and will remain the primary consideration determining the level of revenue duties."

Copy of a letter No. F. 1381 dated 21st October, 1936, from the Federation to all Member-bodies and Members of the Committee.

"With reference to this office endorsement No. F. 896. dated 1st July, 1936, regarding the above subject, I am directed to give below a copy of the reply received from the Government of India, Finance Department, in our letter No. F. 895, dated 1st July, 1936."

SIR OTTO NIEMEYER'S REPORT

Copy of a letter No. F. 682 dated 14th May, 1936, from the Federation to the Members of the Committee.

"I am directed to enclose a copy of a draft letter to be addressed to the Government of India, embodying the views of the Committee on Sir Otto Niemeyer's Report and shall feel obliged if you would be good enough to forward to this office, whatever suggestions you desire to make in respect of the draft to reach this office not later than Monday 25th May, 1936. The President thinks, that on receipt of the opinions the Committees views should be conveyed to the Government without waiting for the Committee Meeting on account of the urgency of the subject."

Copy of a letter No. F. 708 dated 26th May, 1936, from the Federation to the Government of India, Finance Department.

"I am directed by the Committee of the Federation to convey to you their considered opinion on the report submitted by Sir Otto Niemeyer on the question of financial adjustment between the Government of India and the Provincial Governments.

The proposal entrusted to Sir Otto Niemeyer was by no means a simple one as the solution of this problem requires firsthand information regarding the economic condition of the masses and the working of the Government administration at the centre and the provinces. The problem also presents certain complications in view of the commitments made, out of political considerations, by the Government of India, such as, creation of new provinces of North West Frontier, Sind and Orissa. It is evident from the report that Sir Otto Niemeyer has relied for his information mainly on the documents submitted to him by the Provincial Governments, and the Government of India and he had not availed himself of the opportunity of ascertaining non-official opinion on several of the problems presented to him for solution. His conclusions naturally bear a reflection of the official mind, particularly as regards certain fundamental questions on which he recorded his opinion.

Since the appointment of Sir Otto Niemeyer, the Provinces expected that a supreme effiort would be made to make as large an amount as possible available to them in order that they may be in a position to materially help the masses in several directions, e.g., agriculture, industries, education, medical relief, public health, etc. The low standard of living of the people and the acute unemployment among the educated middle-classes are problems which cannot afford to wait for a solution for any length of time. Even Sir Otto Niemeyer could not help referring to the inevitable necessity of finding out a solution of these problems in the provinces in para 7 of his report. The Committee cannot help expressing their regret and disappointment at the conclusions at which Sir Otto Niemeyer has arrived with regard to the enquiry.

Sir Otto Niemeyer comes to the conclusion that according to the present scale of revenue and expenditure of the Government of India appreciable help cannot be given to the provinces. In fact he finds that for a period of 5 years, a portion of income-tax cannot be allotted to the provinces although an allotment of income-tax is the only method by which the Provincial Governments could be put in the position of performing their duties in the nation-building departments, as in the alternative, the only course left open to the Ministers in the Provinces is to raise money by the imposition of new taxes. It would be unthinkable to raise new taxes in the present economic condition of the masses.

Referring to the possibility of securing a drastic reduction in the present expenditure of the Government of India, he expresses his opinion to the effect that "expenditure at the centre cannot be expected, consistent with safety,, to decrease much below the point to which it has now been reduced." The Committee cannot but challenge the correctness of such a dictum as there has been unanimity of opinion in India that the Governmental expenditure on administrative services bears no relation to the textile capacity of the people. In fact, the country was looking forward to some relief in taxation and they expected Sir Otto Niemeyer to urge retrenchment in expenditure at the Centre. The administrative services in India are proved beyond doubt to be the constliest and bear no proportion to the absurdly low standard of living and the economic condition of the masses and as such, require to be thoroughly overhauled in respect of their personnel and the scale of emoluments if the finances of this country are to remain solvent for years to come. The report of Sir Otto Niemeyer is tantamount to an admission that in the present circumstances, much-needed relief cannot be given to the provinces as no reductions are possible in the expenditure charges. The Committee feel that it is essential to make more money available to the welfare of the people and as this can only be achieved by drastic reduction in the expenditure at the centre, the Government should immediately appoint a small Committee to go thoroughly into the question of retrenchment in the administrative charges at the Centre.

The Committee cannot help expressing the strongest disapproval of Sir Otto Niemeyer's opinion that the rates of income-tax and super-tax in India are by no means excessive and of the solution given by him that the remaining portion of the surcharge on taxes on income should be maintained. It is objectionable on the part of Sir Otto Niemeyer to suggest that the "assignment of tax on income is the main method of assisting provincial finances contemplated by the Government of India Act and if the remaining surcharges were maintained, it would materially contribute to the early receipt by the Provinces of additional resources." The Committee feel that there was no occasion for Sir Otto Niemeyer to express any opinion on the continuance or otherwise of the remaining surcharge as the Government are under a pledge to remove the same and the Committee trust that the Government will not be influenced by an expression of opinion by Sir Otto Niemeyer on this question.

Another method by which the finances can be made available to the provinces is the possibility of the Indian Exchequer being relieved to some extent of the obligation to maintain a huge army out of all proportion to the requirements necessitated by the defence of this country and which is admittedly maintained for imperial defence purposes. The Committee emphatically maintain that either the military expenditure must be drastically reduced and bear comparison to the taxable capacity of the people and the 'bona fide' requirements of defence of the country or the Indian Exchequer should receive a substantial contribution from the British Exchequer.

Sir Otto Niemeyer, while recommending a thorough-going overhaul of the railway expenditure, has made a wrong diagnosis as regards the disquieting position of the railways. The railway administrations have already incurred a liability of more than Rs. 60 crores to the general revenues by their inefficient and top-heavy administration and the Committee feel that the deterioration which has already set in the administration of the railways is so alarming that it is time the Government considered seriously the whole question of administration before the position becomes irreparable. Public opinion in India has, on several occasions in the past, emphatically demanded that railway expenditure should be reduced, that the railway freights and fares which are out of all proportion to the prices of goods should be lowered and that they should be in a position to make a suitable contribution to the general revenues of the country. Instead of taking immediate steps in this direction to arrest deterioration in the railway revenue, Government have wantonly put up freight rates without any regard to the precipitou fall of prices in agricultural commodities.

Sir Otto Niemeyer recommended co-operation of the provinces in the establishment of effective co-ordination between the various modes of transport. Such co-ordination, the Committee fear, would result in the adoption of rigid regulations towards the only other means of transport, namely, the motor transport. The inland waterways which was once affording a useful service in the internal trade movement in the country, has disappeared much to the detriment of the interests of the agriculturists. The Committee trust the Provincial Governments would guard themselves against the temptation of eliminating the motor transport which is at present the only economical mode of transport left to the agriculturists for the movement of their crops and it is, therefore, necessary to maintain the motor transport as a healthy competition to the railways in the interests of the agriculturists and of the nascent industries that are growing in the provinces. The public in India find it very difficult to understand why the railways if efficiently managed cannot compete with the motor transport in spite of the fact that the latter is subject to a much heavier depreciation and to a payment of as high a duty on petrol as 10 annas per gallon, and it is time the management of the railways adopted methods by which additional traffic can be attracted to them.

The Committee have dealt with the broad outlines in the report and have abstained from expressing any criticisms on the allotments recommended between the different provinces, as they feel that this matter should be dealt with by the different provinces and so far as the mercantile community is concerned, by the local chambers. They, however, cannot help concluding their remarks by expressing their considered opinion that the working of the reforms, particularly in the provinces, will bring into greater prominence the abject poverty and misery of India's masses and the inability of the Provincial Ministries to bring about any relief to them and might tend to increase greater and greater discontent and restlessness. Sir Otto Niemeyer nowhere tries to examine this aspect of the working of the reforms in relation to the economic condition of the masses, and the Committee would like to sound a note of warning that the first step in the inauguration of the provincial autonomy is to put the finance of the country in order so that India's existing economic condition may be improved."

ENQUIRY INTO THE CREDENTIALS OF MEMBER-BODIES.

Copy of a circular letter No. F. 602 dated 30th April, 1936, from the Federation to All Member-bodies.

"The Committee of the Federation, at their meeting held in New Delhi on 3rd April, 1936, while considering certain applications for affiliation to the Federation, felt that before considering any further applications for membership of the Federation, it was necessary to collect information regarding the credentials of the Member-bodies at present affiliated to the Federation with a view to enable the Committee to lay down a certain standard for the membership of the Federation. The Committee accordingly decided—

> that the Secretary be asked to collect information as regards credentials of the Member-bodies and in order that the standard may be fixed, the President may be requested to submit his recommendations and such recommendations be considered by the Committee at their second meeting.

In accordance with the above decision of the Committee, I am now directed to request you to forward to me detailed information on the undermentioned points to enable this office to submit report for the use of the Committee in this regard:—

(i) A copy of the Rules and Regulations of the Member-body.

(ii) A complete list of Members with their addresses.

(iii) Number of Members in good standing (that is, Members not in arrears of annual subscription).

(iv) A copy of the latest Annual Report and Statement of Accounts.

(v) Number of Members who are also on the membership register of other Bodies affiliated to the Federation.

I shall much appreciate if you will be good enough to forward the above information to reach this office not later than Wednesday, the 20th May, 1936."

Copy of the Reminder No. F. 912 dated 4th July, 1936, from the Federation to certain Member-bodies.

"I am directed to invite your attention to my previous circular letter No. F. 602 dated 30th April, 1936, and to request you to be good enough to forward to this office the information called for therein at an early date, The next meeting of the Committee is expected to meet in New Delhi on the 25th and 26th instant when this question will come up for consideration and hence the request."

Copy of a circular No. F. 1229 dated 9th September, 1936, from the Federation to Members of the Committee.

"I am directed by the Committee to forward herewith for your information a copy of the Report prepared by me on the information received from the various Member-bodies."

(Enclosure to F. 1229 dated 9th September, 1936)

SUBMITTED TO THE COMMITTEE.

In accordance with the instructions of the Committee, I sent round a circular to all the Member-bodies requesting them to forward to this office certain information to enable the office to examine the object with which a chamber or a commercial association is formed, whether it represents the interests which it seeks to represent and the nature of the constituent members of that body. In response to that circular, I have received so far replies from 47 Member-bodies out of a total of 56. In spite of a reminder, 9 Member-bodies have not so far sent in any material regarding this. I submit below my findings in respect of the Member-bodies that have so far submitted material:—

SIND PROVINCE:

There are two bodies in Karachi, namely, the Karachi Indian Merchants' Association and the Buyers and Shippers Chamber. The Buyers and Shippers Chamber has got 309 Members on its roll, while the Karachi Indian Merchants' Association has got 207 Members on its register. Both the bodies have been recognized by the Order in Council for purposes of fulfilling one of the qualifications to entitle a firm or a person to be on the electoral roll of the commercial constituency in the provincial legislature.

BOMBAY, PRESIDENCY: AHMEDABAD.

There are two bodies in Ahmedabad which represent two distinct interests, one representing manufacturing interests and the other trading interests in textile industry. The Ahmedabad Mill Owners' Association has 61 members on its roll—all manufacturing concerns—while the Maskati Cloth Market Association, Ahmedabad, which is a body of cloth merchants, has got 55 members on its roll.

BARODA.

The Federation of Baroda State Mills and Industries, Baroda is the only body in the Baroda State representing industrial interests. It has 31 members on its roll composed of cotton mills, chemical works, match factories, oil mills, etc.

GADAG.

The Karnatak Chamber of Commerce, Gadag, has sent to the office a Report and the Rules and Regulations in Kanarese and the Office could not make out anything from these publications. It has, however, 44 members on its roll.

BOMBAY.

There are in all 13 Member-bodies in Bombay. Organizations representing distinct interests are nine in number, namely:—

		Representing	Number of Members
1.	Bombay Bullion Exchange	Bullion	301
2.	Bombay Shroff Association	Shroffs	239
3.	Grain Merchants' Association	Grains	279
4.	Indian Insurance Co.'s Association	General Insurance	11
5.	Indian Life Assurance Offices Association	Life Assurance	34
6.	Indian National Steamship Owners' Association	National Shipping	11
7.	Indian Salt Association	Salt	13
8.	Native Share and Stock Brokers' Association	Share and Stock Brokers	425
9.	Seeds Traders' Association	Seeds trade	220

Besides these, there are 4 general bodies representing general commercial interests in the Presidency. They are (1) The Indian Merchants' Chamber having 563 members on its roll, (2) The Maharashtra Chamber of Commerce, having 195 members, (3) The Marwadi Chamber of Commerce having 214 members and (4) The Deccan Merchants' Association.

THE PUNJAB PROVINCE:

Lahore.

The Indian Chamber of Commerce, Lahore, is the only body in the Punjab affiliated to the Federation. It has got on its roll 72 members.

DELHI.

In Delhi, there are four bodies affiliated to the Federation.

The Delhi Factory Owners Federation has not supplied any material as it feels that "while such enquiries would have been appropriate and could be justified.........................when organizations were admitted to membership they cannot but be regarded now as extremely ill-advised." This body represents industrial interests and has on its roll 24 members.

The Delhi Hindusthani Mercantile Association has 441 members.

The Kirana Committee, Delhi, has not sent in any material but it is chiefly composed of Kirana Merchants. It has on its roll 25 members.

The Delhi Cloth Commission Agents Association has not also sent in any information. It has 83 members on its roll.

UNITED PROVINCES: CAWNPORE.

There are three bodies in Cawnpore, namely: The United Provinces Chamber of Commerce, Cawnpore and the Merchants' Chamber of United Provinces and the Cawnpore Kapra Committee. The first two bodies are recognized by the Order in Council as bodies, membership of which is one of the qualifications for entitling merchants to be on the electoral roll of the commercial constituency of the local Provincial Legislative Council.

The Merchants' Chamber of U.P. has got on its roll 150 members and the U.P. Chamber has got 160 members. The latter body has not, however, sent in any material.

The Cawnpore Kapra Committee represents cloth merchants mainly. It has got 67 members on its roll. The body represents piece-goods trade in Cawnpore.

BIHAR:

Patna.

The Bihar Chamber of Commerce, Patna, is the only chamber representing commercial interests of the province. It has got on its roll 59 members.

C. P. AND BERAR:

Akola.

The Berar Chamber of Commerce, Akola, is a newly established body to represent commercial interests in Berar. It has got 92 members on its roll.

GWALIOR:

Lashkar.

The Gwalior Chamber of Commerce, Lashkar, is a chamber representing commercial interests in the Gwalior State. It has got 90 members on its roll.

MYSORE:

Bangalore.

The Mysore Chamber of Commerce, Bangalore, is a Chamber representing all commercial interests in the Mysore State. It has got 95 members on its roll.

MADRAS PRESIDENCY:

Cocanada.

The Godabari Chamber of Commerce, Cocanada, is a very old body established in 1885. It has 44 members on its roll.

Coimbatore.

The Indian Chamber of Commerce, Coimbatore, is a body representing commercial interests in Coimbatore. It has not sent in any material.

The Southern India Textile Association, is another body of merchants in Coimbatore.

Calicut.

The Malabar Chamber of Commerce, Calicut, is a registered body and has got 60 members on its roll.

Tuticorin.

The Indian Chamber of Commerce, Tuticorin, has not sent in any material to the office. It has 83 members on its roll.

Madras.

The Southern India Chamber of Commerce, Madras, has got 501 members on its roll and represents all the varied interests in Madras and in the Madras Presidency.

The Southern India Skin and Hide Merchants Association represents tanning industry interests and the membership consists of tanning establishments. It has got on its roll 100 members.

The Andhra Chamber of Commerce, Madras has got on its roll 101 members. It particularly represents commercial interests in Andhra country.

BURMA:

Rangoon.

There are two bodies, the Burma Indian Chamber of Commerce, Rangoon, and the Nattukottai Chettiars Association, Rangoon, representing two distinct interests. The Burma Indian Chamber has on its roll 173 members and the Nattukottai Chettiars Association, which, represents the Chettiars' interests in Burma, has got on its roll 910 members.

BENGAL:

Chittagong.

The Indian Merchants' Association, Chittagong, has got on its roll 77 members.

Jalpaiguri.

The Indian Tea Planters' Association, Jalpaiguri, is the only body representing Indian tea interests affiliated to the Federation. It has got 36 members on its roll.

Calcutta.

In Calcutta, there are in all 13 bodies affiliated to the Federation, of which nine represent distinct interests, namely:-

		Representing	Number of members
1.	East India Jute Association ..	Jute Trade	266
2.	Indian Insurance Institute ..	Insurance	(has not sent in this information)
3.	Indian Mining Federation ..	Coal Mining	61
4.	Indian Sugar Mills Association ..	Sugar industry	109
5.	Jute Balers Association ..	Jute Balers	44
6.	Indian Produce Association ..	Produce interests	102
7.	All-India Soap-makers Association ..	Soap industry	19
8.	Paddy Merchants' Association ..	Paddy	28
9.	Telikanta Brokers' Association ..	Telikanta Brokers	(has not replied)

The Bengal Industries Association is composed of industrialists engaged in minor industries and has 65 members on its roll.

The Muslim Chamber of Commerce represents commercial and industrial interests in which Muslims are engaged or concerned. The other general bodies are—

The Bengal National Chamber of Commerce: The Chamber has 350 members, on its roll.

The Indian Chamber of Commerce, Calcutta, has 261 members.

INCREASE IN RAILWAY FREIGHT RATES.

Copy of D.O. letter No. F. 739 dated 6th June, 1936, from Mr. D. P. Khaitan to the Hon'ble the Commerce Member, Sir Muhammad Zafrullah Khan, Simla.

"I think I should draw your attention to the fact that almost a panic has been created in the mind of the mercantile community by the method which the Railways intend to adopt for improving their financial position. One of the methods that they propose to adopt is by increasing railway freight. As you are no doubt aware, they have issued a list of more than 200 items of merchandise in respect of which they propose to enhance the classification. The effect of such enhancement would be to increase the freight at rates varying from 7% to 79%. Even the existing railway freights are higher than the pre-war ones although the prices of commodities are generally lower. In commercial concerns, the cost of production has been considerably brought down during the last decade, but so far as the Railways are concerned, there is no indication that they have reduced their expenses in any way whatsoever, either by rationalisation or increase of efficiency or retrenchment or in any other way. They feel that they can be indifferent to efficiency or even attention to the needs of public in as much as with the support of the Government they can tax the public.

The inefficiency of the Railways has become so conspicuous that even in the case of low-rated bulky goods and long distances, motor lorries have been successfully competing with them. Cotton has been carried for long distances from centres in the Punjab by motor lorries, but even though the Railway authorities are informed about it, they do not adjust the rates to attract the traffic. This is only an example that I am giving you.

As appears from the reports in the papers, the remedy that is thought of is to throttle motor competition. If this is done, there is no doubt that in the public mind that the Railways will become still more inefficient and more callous to the needs of the Indian public. Motor competition is the only argument (if water competition at some places be put out of consideration) which the Railways are prepared to listen to, to adjust the Railway freight to the existing circumstances. If that competition be removed, you can easily imagine the position in which the public will be placed vis-a-vis the Railways.

I might give you an illustration of the great benefit which the public have derived in the city of Calcutta on account of motor competition. Formerly, the Calcutta Tramways Company used to be quite indifferent to the wishes and needs of the public. When motor buses started operation in Calcutta, the Tramways Company had to, and did, reduce their fares, improve their tram cars and introduce other facilities to re-attract the travelling public. As a result, the Tramways Company is none the worse, but on account of better facilities, both the Tramways and the buses are going on satisfactorily in healthy rivalry with each other. Neither has suffered pecuniarily and the public have immensely gained.

I hope you will agree that, if the Railway authorities do not get hopes that motor competition can be swept aside or even reduced, and, if the Railway authorities are made responsible for showing better results and give better attention to the Indian public whether for the transport of goods or passengers, and, if they are further made responsible that they must, as a commercial organization, make profits so as to contribute to the general revenues, their angle of vision will be changed and they will adopt really beneficial measures rather than increase freights and fares and stifle competition.

The mercantile community look to you with confidence that you will be pleased to see that the Railway authorities are not permitted to adopt the methods reported in the papers and which I have pointed out above, as such methods will be very injurious to the economics of the country."

Copy of a circular letter No. 740 dated 9th June, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to forward a copy of a D.O. letter addressed by the President to the Hon'ble the Commerce Member, Sir Muhammad Zafrullah Khan, on the above subject, for your information."

Copy of a D.O. letter No. 6615-T dated Simla, 16th June, 1936, from the Hon'ble Sir Muhammad Zafrullah Khan, Commerce Member, to Mr. D. P. Khaitan, President.

"With reference to your D. O. No. F. 739 of the 6th instant, I have seen the list of commodities which has been circulated by the Indian Railway Conference Association to the various Chambers of Commerce and other trade interests for their views on the question of enhancing the classification applicable to these commodities. I see that the proposals contemplate an enhancement in most cases of about 10%. Although there are several items for which the proposed enhancements vary up to 34%, and a few up to 48%, there is only one commodity over this figure to which the 79% refers and that is "newspapers, packed."

2. In putting forward these proposals for consideration by trade interests, I am assured that the justification has been that the incidence of the freight charge in each case would be so very insignificant as in no way to affect the free movement of traffic. This view may or may not be right—that is a matter for examination—but the trade interests concerned have been given an opportunity of saying what they feel about the matter, and I think you will agree that it would be

more helpful to Railways, acting through their Conference Association if criticisms of their proposals were directed against each item, as there may be many to which, 'prima facie,' no reasonable objection could be taken, than on the more general question of policy.

3. I note what you say as regards there being no indication that Railways have reduced their expenses in any way either by rationalization or increase of efficiency or retrenchment, or in any other way. These views are, I believe, rather widely held, and we are perhaps responsible for this to some extent, because our statistics are published in a form which does not facilitate ready assimilation. As you know, we have statistics:—

(a) for all Railways,

(b) for Class I Railways only, which include H. E. H. the Nizam's State Railway and the Jodhpur Railway, and

(c) for State-owned Railways;

and the last-named is the only group of railways over which the Railway Board exercise a control of expenditure. State-owned Railways include, besides State-managed lines, railways such as the Bengal-Nagpur and Bombay, Baroda and Central India, etc., which though owned by the State are managed by Companies under contract. Further difficulty is at times caused in a comparison of statistics by exchanges made in our accounting methods; for example, at one time the scrap value of materials sold was credited to receipts, at another period it was credited to working expenses.

4. It would perhaps help you correctly to appreciate the position if I were to give the figures for working expenses and gross earnings—all on the same basis and for State-owned Railways only:—

(i) Working Expenses

1929-30	55.59	crores.
1930-31	56.05	„
1931-32	49.89	„
1932-33	49.82	„
1933-34	49.38	„
1934-35	50.36	„

The working expenses exclude the cut in pay which was in operation for only a certain part of the period, so they are directly comparable and indicate what has been done by the Railways through their own efforts.

1929-30	102.70	crores.
1930-31	95.10	„
1931-32	86.63	„
1932-33	84.43	„
1933-34	86.63	„
1934-35	90.20	„

You will notice that the cost of working the additional traffic which gave us an increase of 3.57 crores in gross earnings in 1934-35 over 1933-34 was only about 28% of the addition to the gross earnings.

5. The following further figures, which bear on the allegation that Railwways have not reduced their expenses, will perhaps interest you:—

Year	Mileage	Staff
1920-21	26,652	701,688
1929-30	30,878	760,782
1934-35	31,619	646,218

It will thus be seen that between 1929-30 and 1934-35 we have reduced our staff by roughly 1,14,000—surely a fairly drastic reduction. It will also be seen that we are operating roughly 5,000 more miles of railways than we were in 1920-21 with about 55,000 less staff. The gross earnings in 1920-21 were 80.98 crores as against 90.20 crores in 1934-35, and our working expenses that year (1920-21) were 49.22 crores.

6. Other figures, which have a definite bearing on the question of more efficient operation of railways, are those showing the fall in our stores balances. These are:—

1924-25	17.09	crores.
1929-30	16.95	„
1930-31	15.21	„
1931-32	13.06	„
1932-33	12.10	„
1933-34	10.18	„
1934-35	9.34	„

You will also recognize that if railways are working reasonably efficiently, the greater the traffic carried the better is the operating ratio; the reason for this being that only about one-third of the working expenses are influenced directly by the volume of traffic carried. A fall in traffic therefore automatically increases the operating ratio. This is best illustrated by the following figures showing the operating ratio:—

1930-31	57.2
1931-32	56.9
1932-33	56.7
1933-34	55.8
1934-35	54.7

Incidentally, so far as we have been able to find out, Indian Railways have about the best operating ratio of any large system of railways throughout the world. Of course, it is not strictly fair to compare the operating ratio in one country with that in another, where the conditions may be entirely different. The operating ratio is affected by the scales of rates and also by the cost of labour. All that the comparison can be said to indicate is that Indian Railways, as compared with other railways throughout the world, are not doing too badly.

7. I am not aware of what low rated bulky goods are being carried by motor lorries for long distances in successful competition with railways. The example you have given of "cotton" does not seem to me to be quite apposite. The full pressed cotton bales that are being carried by lorries are not bulky goods, nor are they low rated. Railways are aware that a certain amount of such traffic is moving by road, but what they stand to lose on the traffic..which they already carry and will continue to carry by reducing rates will not compensate them for what they will gain by endeavouring to get back to the rail what now goes by road; apart from the fact that carriage of cotton by lorries in competition with railways is only effective if the lorries were grossly overloaded.

8. I have seen the newspaper reports which suggest that action is being taken "to throttle motor competition," but I need scarcely assure you that we harbour no such intention. I recognize that compretition is inevitable and what is more, have always held that it is desirable. What we are striving for, however, is to ensure that competition is fair and that the largest measure of co-ordination between road and rail is secured. I trust we shall have the co-operation of your Federation in our endeavours to secure this."

Copy of a confidential circular letter No. F. 815 dated 20th June, 1936, from the Federation to all Member-bodies.

"In continuation of my circular letter N. F. 740 of the 9th instant I am now directed to enclose a copy of a communication received by the President from the Hon'ble Sir Muhammad Zafrullah Khan on the above subject in reply to his letter of the 6th instant. I shall thank you to communicate to me whatever suggestions you or your Committee desire to make in regard to the reply to be sent to the enclosed letter, to reach this office not later than the 1st July, 1936."

Copy of D.O. letter No. F. 881 dated 1st July, 1936, from Mr. D. P. Khaitan, to the Hon'ble the Commerce Member, Sir Muhammad Zafrullah Khan, Simla.

"I have received your D.O. letter No. 6615-T dated the 16th inst. I thank you for the trouble you have taken in sending me a detailed reply to my letter. This is very much appreciated. I circulated your letter confidentially among the Member-bodies of the Federation and among the Members of its Committee.

I need hardly assure you that it is not in the mind of the Indian mercantile community to be in any way obstructive but to help the Government with suggestions that, in its opinion, will really help a solution of the problem. It is a recognized fact that the railways in India constitute the largest property of the tax-payers and that they are imperatively necessary for the well-being and economic progress of the country. It is from this angle that the mercantile community approaches the problem of the railways.

There is agreement between the Government and the public that the railways constitute a commercial organization. It follows from this that the railways should be run in a profitable manner in the same way as a commercial concern has to do. The mercantile community, however, has reasons to doubt that the railway authorities deal with their problems in the same spirit as a manufacturer or a trader solves his difficulties in connection with his concern. A merchant not only secures the good-will of his customers and deals with them in a spirit of service, adapting himself to the changes that take place in ideas, tastes, etc., but he reduces his expenditure when the prices go down and the margin of profits is reduced or disappears or turns the other way round. He cnnot expect to charge his customers more than what competition permits. I am sure you will be surprised at the progress made in some of the industrial concerns such as Tata Steel and some of the cotton mills and sugar factories in spite of the fact that during the last few years, the working hours have been reduced from 12 to 9, the age limit of children has been raised,—which means more money—custom duties on machinery and stores levied, railway freight enhanced and lastly the social legislation like the Compensation Act, et., adopted by legislature. In spite of all these factors coming into operation, there has been creditable progress achieved by the mercantile community in the industries mentioned above.

But it is felt that the railway authorities do not follow a similar course. They have in the past adopted the easy course of increasing freights and fares. As you are aware, the prices of goods are now below the level of 1915. It would no doubt be interesting to know whether the freights and fares prevailing on the railways to-day are higher than, equal to, or lower than, the level of 1913. It is quite quite possible that in a few cases owing to steamer or other competition, freight on goods may be lower than those in 1913. But the impression is generally held that the increase in freight by way of surcharge, etc., imposed during and after the Great War, as emergency measures, have continued to be in force. If this impression be correct, I do not know how the railway authorities would justify their existence now. During the last 23 years, methods of increasing efficiency and reducing costs have been discovered in every direction. You can take it that manufacturers have generally adopted such methods and they have brought down the costs of production to a large extent. The railways are naturally expected to adopt similar measures in their own sphere, the result of which would be that the costs per ton mile to-day should be much lower than those in 1913. Even if the prices of goods had not come down, people would naturally expect that freight per unit should be much lower to-day than in 1913. But I believe that an investigation into this will show that that is not actually the case.

I may further mention that apart from the active adoption of measures for reducing expenditure and increasing efficiency, the fall in the price of coal (which is a very big item with the railways) and of all other items such as, engines, boilers, machinery spare parts, iron and steel, etc., automatically reduces the working expenses of the railways. This fact makes it difficult to appreciate the difference in working expenses between 1929-30 onwards that you have been pleased to give. It rather shows that the difference is not as much as it should have been on account of the fall in the prices. A thorough enquiry should be made into the rates at which the work is done in each division or district as compared with rates paid by others for similar work. There is a general impression that railways pay unnecessarily high rates. In their own interests an independent examination is called for. And stricter control and supervision is required to prevent loss to Government due to negligence and fraud.

There is also a general impression that the increase in salaries, allowances and other perquisites, brought into force on the ground of the prevalence of high prices either before or after 1920, has continued to remain in respect of the old cadre although prices have fallen to a level lower than in the pre-war days.

You have been good enough to give figures of reduction of staff as compared to 1920-21 and 1929-30. The view is widely held that such reduction has been effected only in the low-paid staff and not in the higher-paid staff. Capital expenditure to the extent of hundreds of crores of rupees was incurred on railways during the last 15 years. A large part of this was for improvements in the way, works and rolling stock of railways, all calculated to secure a return on the capital investment, but there is no indication that the expectations have been realized

With reference to the figures of gross earnings that you are pleased to give, it is shown that there has been an increase since 1932-33. But a detailed analysis should be made to bring out how much of this increase was due to the enhancement of rates and how much to additional traffic.

As regards gross earnings, it is at best a puzzle to guess why they are not on a proper level. The quantities of the production and consumption of goods have increased since 1920. I need not go into the question of separate commodities required for every-day use but the inference that can be drawn is that the railway authorities have not attracted traffic as they ought to have done in the internal movement of trade. Instances are known where long-lead traffic offered to the railways by adjustment of rates has not been taken over by the railways. The contention of the railway authorities that "what they stand to lose on the traffic which they already carry and will continue to carry by reducing rates will not compensate them for what they will gain by endeavouring to get back to the rail what now goes by road" is not in a large number of instances, I venture to think, correct.

In this connection I may refer to your statement "that carriage of cotton by lorries in competition with railways is only effective if the lorries are grossly overloaded" By overloading, the railway authorities mean, as they have sometimes told me, carriage of a larger quantity of goods than the "rated capacity". The mercantile community, however, is not impressed by such a significance being attached to overloading. It is their common experience that engines, turbines, boilers and other machinery, can be and are successfully worked to a larger than the rated capacity by the manufacturers. The lorry-owner, by carrying the quantities that he does, does so after proper calculation of depreciation and without causing accidents which would affect the public. The lorry-owner attracts the traffic by the services he renders such as collection of goods at the premises of the despatcher and delivering them at the premises of the receiver, as also by the regularity of the time taken in transit and the ultimate cheapness of his charges. By ultimate I mean that even when the lorry-owner charges the same freight as the railways, he saves his client the expenses of cartage incurred in sending goods to and from the station. The risk notes, and if I may be forgiven, the perquisites of the railway staff do not exist in the case of the lorry-owner. No highbrow attitude exists in his case. These are matters which, generally speaking, have unfortunately not received sufficient attention from the railway authorities. If they had felt that they were managing a commercial organization, they should have paid immediate attention to these important matters.

I am glad to learn that you "recognize that motor competition is inevitable and what is more, have always held that it is desirable." Whether competition is fair or not, it is not possible to adjudge until the railway authorities put their own house in order. I feel confident that with you as the highest authority in charge of the railways, you will succeed in changing the mentality of the officials directly in charge of the railways, so that they may run them as a business concern and take the advice of capable business men. As I may have occasion to go to Simla at an early date, I trust we shall have the opportunity to talk over this matter."

Copy of a confidential circular No. F. 894 dated 1st July, 1936, from the Federation to Member-bodies and Members of the Committee.

"With reference to my circular letter No. F. 815 of the 20th June, I am now directed to enclose, for your information, a copy of a letter addressed by the President to the Hon'ble Sir Muhammad Zafrullah Khan on the above subject."

Copy of a Press Note dated 20th July, 1936, issued from the Federation.

"With reference to the attempt of the railways to see motor competition controlled Mr. D. P. Khaitan, President, of the Federation of Indian Chambers of Commerce and Industry, has issued the following statement to the Press:

It is a recognized fact that the railways in India constitute the largest property of the tax-payers and that they are imperatively necessary for the well being and economic progress of the country. It is from this angle that the problem of the railways ought to be approached.

2. Both the Government and the public are agreed on the point that the railways constitute a commercial organization. It follows from this that the railways should be run in a profitable manner in the same way as a commercial concern has to do. The mercantile community, however, has reasons to doubt that the railway authorities deal with their problems in the same spirit as a manufacturer or a trader solves his difficulties in connection with his concern. A merchant not only secures the goodwill of his customers and deals with them in a spirit of service, adapting himself to the changes that take place in ideas, tastes, etc., but he reduces his expenditure when the prices go down and the margin of profits is reduced or disappears or turns the other way round. He cannot expect to charge his customers more than what competition permits. It is surprising to see the progress made in some of the industrial concerns such as, Tata Steel and some of the cotton mills and sugar factories in spite of the fact that during the last few years, the working hours have been reduced from 12 to 9, the age limit of children has been raised—which means more money—custom duties on machinery and stores levied, railway freight enhanced and lastly the social legislation like the Compensation Act, etc., adopted by legislature. In spite of all these factors coming into operation, there has been creditable progress achieved by the mercantile community in the industries mentioned above.

3. But it is felt that the railway authorities do not follow similar course. They have in the past adopted the easy course of increasing freights and fares. As everybody knows prices of goods are now below the level of 1913, and the railways should examine whether the freights and fares prevailing on the railways to-day are higher than, equal to, or lower than, the level of 1913. But the impression is generally held that the increase in freights by way of surcharge etc., imposed during and after the war, as emergency measures, have continued to be in force. If this impression be correct, I do not know how the railway authorities would justify their existence now. During the last 23 years, methods of increasing efficiency and reducing costs have been discovered in every direction, and manufacturers have generally adopted such methods and they have brought down the cost of production to a large extent. The railways are naturally expected to adopt similar measures in their own sphere, the result of which would be that the costs per ton mile to day should be much lower than those in 1913. Even if the prices of goods had not come down, people would naturally expect that freight per unit should be much lower to-day than in 1913. But I believe that an investigation into this will show that that is not actually the case.

4. I may further mention that apart from the active adoption of measures for reducing expenditure and increasing efficiency, the fall in the prices of coal (which is a very big item with the railways) and of all other items such as, engines, boilers, machinery spare parts, iron and steel, etc., automatically reduces the working expenses of the railways. This fact makes it difficult for the public to appreciate the difference in working expenses between 1929-30 onwards. It rather shows that the

difference is not as much as it should have been on account of the fall in prices. A thorough enquiry should be made into the rates at which the work is done in each division or district as compared with rates paid by others for similar work. There is a general impression that railways pay unnecessarily high rates. In their own interests an independent examination is called for. And stricter control and supervision is required to prevent loss to Government due to negligence and fraud.

5. There is also a general impression that the increase in salaries, allowances and other perquisites, brought into force on the ground of the prevalence of high prices either before or after 1920, has continued to remain in respect of the old cadre although prices have fallen to a level lower than in the pre-war days.

6. There has been some reduction of staff as compared to 1920-1921 and 1929-30. The view is widely held that such reduction has been effected only in the low-paid staff and not in the higher-paid staff. Capital expenditure to the extent of hundreds of crores of rupees was incurred on railways during the last 15 years. A large part of this was for improvements in the way, works and rolling stock of railways, all calculated to secure a return on the capital investment, but there is no indication that the expectations have been realized.

7. The railways should first examine as to how much increase in the gross earnings since 1932-33 is due to the enhancement of rates and how much to additional traffic.

8. As regards gross earnings, it is at best a puzzle to guess why they are not on a proper level. The quantities of the production and consumption of goods have increased since 1920. I need not go into the question of separate commodities required for every-day use but the inference that can be drawn is that the railway authorities have not attracted traffic as they ought to have done in the internal movement of trade. Instances are known where long-lead traffic offered to the railways by adjustment of rates has not been taken over by the railways. The contention of the railway authorities that "what they stand to lose on the traffic which they already carry and will continue to carry by reducing rates will not compensate them for what they will gain by endeavouring to get back to the rail what now goes by road" is not in a large number of instances, I venture to think, correct.

9. In this connection I may refer to an argument used by the railway authorities that carriage of cotton by lorries in competition with railways is only effective if the lorries are grossly overloaded. By overloading, the railway authorities mean, as they have sometimes told me, carriage of a larger quantity of goods than the "rated capacity." The mercantile community, however, is not impressed by such a significance being attached to overloading. It is their common experience that engines, turbines, boilers and other machinery, can be and are successfully worked to a larger than the rated capacity by the manufacturers. The lorry-owner, by carrying the quantities that he does, does so after proper calculation of depreciation and without causing accidents which would affect the public. The lorry-owner attracts the traffic by

the services he renders such as collection of goods at the premises of the despatcher and delivering them at the premises of the receiver, as also by the regularity of the time taken in transit and the ultimate cheapness of his charges. By ultimate I mean that even when the lorry-owner charges the same freight as the railways, he saves his client the expenses of cartage incurred in sending goods to and from the station. The risk notes, and if I may be forgiven, the perquisites of the railway staff do not exist in the case of a lorry-owner. No highbrow attitude exists in his case. These are matters which, generally speaking, have unfortunately not received sufficient attention from the railway auhorities. If they had felt that they were managing a commercial organization, they should have paid immediate attention to these important matters.

10. It seems to be very incongruous that the Government should at the instance of the Railway authorities take steps to control motor competition in a manner that they may drive out the latter and leave the entire field at the mercy of the Railway administration."

RAILWAY ENQUIRY COMMITTEE

Copy of a letter No. F. 1384 dated 21st October, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to invite your attention to a press communique issued by the Government of India, dated Simla, 19th October, 1936, announcing the appointment of a Railway Enquiry Committee consisting of—

Sir Ralph Wedgwood, Chief General Manager,
London and North Eastern Railway,

and

Mr. W. A. Stanier, Chief Mechanical Engineer
London Midland and Scottish Railway.

The Committee will be assisted by Mr. A. Forbes, Assistant to the Chief General Manager for rates and statistics, London and North-Eastern Railway. Mr. L. H. Kirkness, Secretary, Railway Board and Mr. B. M. Strouts will act as joint secretaries.

The terms of reference of the Committee are:—

(1) To examine the position of Indian State owned railways and to suggest such measures as may otherwise than at the expense of general budget,

(2) Secure improvement in net earnings, due regard being paid to the question of establishing such effective co-ordination between road and rail transport as will safeguard public investment in railways while providing adequate services by both means of transport, and

(3) At a reasonably early date to place the railway finance on sound and remunerative basis.

There are two important points to which I would like to draw the attention of your Committee, and they are:—

(i) Personnel of the Committee, and

(ii) Terms of reference.

As regards the personnel of the Committee, it may be noted that the Government of India have not appointed any Indian who would be able to bring his knowledge of Indian conditions to bear on the deliberations of the Committee. It is suggested, therefore, that the Member-bodies should ask that this mistake be rectified.

The terms of reference are rather vague and not definite. The Indian mercantile community have been all along urging upon Government to secure greater efficiency in the railway administration, thereby making it more economic and paying in its results. The railway freights and fares are admittedly too high in relation to the value of commodities and the income of the people in India and, in several cases, are such as the traffic cannot bear. The whole question of the suitability of the present railway freights and fares to the requirements of trade and traffic may be ruled by the Railway Enquiry Committee as being outside the scope of their terms of reference and in their anxiety to secure improvement in the net earninngs of the railways, the Committee may be tempted to recommend a further enhancement of the freights and fares. It is felt that all the Member-bodies should urge upon the Government of India that it is of paramount importance that if the enquiry is to result in successful improvement in the railway finances, it should be held along correct lines and in close co-operation with the Indians and that every endeavour should be made to improve efficiency in railway administration and to give an impetus for the greater movement of trade and traffic within the country by offering cheaper freights and fares. I trust you will bring these considerations to the attention of your Committee and that a suitabe representation is addressed to Government on this question. I shall be glad to have your Committee's views on the subject at an early date.

Copy of a Press Communique dated 21st October, 1936, issued by Mr. D. P. Khaitan, President of the Federation.

"Mr. D. P. Khaitan, President of the Federation of Indian Chambers of Commerce and Industry, interviewed by a press representative on the communique issued by the Government of India on the subject of the Railway Enquiry, stated that both the terms of reference and the personnel were disappointing.

The Indian mercantile community and the public have been of the opinion that the Railways are not worked efficiently and that the railway freights and fares are generally too high in relation to the value of commodities and the income of the people in India. They strongly feel that by increasing efficiency, the freights and fares can be brought in line with the requirements of trade and traffic, while the railways can make a contribution to the general revenues of the country.

The terms of reference of the Committee do not specify this most important matter. On the other hand, the Committee is asked to secure improvement in net earnings which may mean an enhancement of the freights and fares. It is desirable that the investigation should be for the improvement of finance more by increasing efficiency of the railways than by any other means.

As regards the personnel, the three chief persons are being brought from London. The absence of any Indian element that could properly advise on Indian conditions is too conspicuous.

As it is not yet too late, Mr. Khaitan hopes, the Government of India will remedy these defects. It is of paramount importance that this enquiry should be held along correct lines and in close co-operation with Indians. If this opportunity is not taken advantage of by the Government of India, they are sure to lose the sympathy of the Indian public and the Government's decision will be liable to the interpretation that they have not been willing to hold an investigation which would lead to conclusions and improvements in the economic interests of India."

Copy of a letter No. F. 1420 dated 4th November, 1936, from the Federation to Government of India, Commerce Department.

"I am directed by the Committee of the Federation of Indian Chambers of Commerce and Industry to invite your attention to the press communique issued by the Government of India dated Simla, 19th October, 1936, announcing the appointment of Railway Inquiry Committee and supplemented by a further communique dated New Delhi, 2nd November, 1936, and to state that they have noted with great disappointment and concern the personnel and terms of reference of the said Inquiry.

The Indian mercantile community and the general public hold the view that the railways are not worked efficiently and that the railway freights and fares are generally too high in relation to the value of the commodities and the income of the people in India. Sir Otto Niemeyer and the Public Accounts Committee recorded their view that there should be a thoroughgoing overhaul of the railway finances and the latter Committee also stated that the solution of this problem of fully restoring the solvency of the railway administration must in the main rest on measures other than increase of freights and fares. The Committee of the Federation are of the opinion that by increasing efficiency in railway administration and by following a bold policy of freight and fares reform by reducing them and bringing them in line with the requirements of trade and traffic, the Railway Finances can be put on a more satisfactory basis. While recognising the necessity to institute an enquiry into the railway administration, the Government of India, in deciding upon the personnel, have not included any Indian therein, although Indians are vitally interested in the enquiry and they alone can bring experience of Indian conditions to the advantage of the Committee's investigation. The Committee hope that this mistake will be rectified.

The terms of reference of the Committee are not only vague but are definitely wanting in certain respects. Though it is laid down that the measures to secure improvements in net earnings should not be at the expense of the general budget by mere transfer of liabilities to general revenues, the Government of India could have removed all grounds for apprehension on the part of the Indian mercantile community by explicity placing out of court any proposal for the enhancement of freights and fares in view of the present economic conditions of the trade and the general public in this country. The attitude of the Government of India as regards effective co-ordination between road and rail transport, as reflected in the Indian Motor Vehicle Bill, which they introduced in the last session of the Legislative Assembly, is likely to prejudice the findings of the Inquiry Committee on the question of co-ördination of road and rail transport. The Committee, therefore, feel that the enquiry, if it is to beat any tangible proof, should be conducted on correct lines with definite terms of reference and in close co-operation with Indians and they trust that the Government of India would rectify their attitude in respect of this inquiry by taking due note of the views submitted by them in this regard."

(The above letter No. F. 1420 dated 4th November, 1936, was also sent to the Press, Member-bodies and Members of the Committee.)

Copy of D.O. letter No. F. 1463 dated 9th November, 1936, from Mr. D. P. Khaitan, President of the Federation, to Mr. J. G. Laithwaite, Private Secretary to His Excellency the Viceroy.

"On behalf of the Committee of the Federation of Indian Chambers of Commerce and Industry, I desire to submit, for the consideration of His Excellency the Viceroy, certain aspects relating to the recently announced Railway Enquiry Committee as regards its personnel and the terms of referene. Since the announcement, you must have noticed that it has evoked universal disappointment from all important commercial chambers and trade associations in India. The question coming under the Enquiry Committee for investigtion directly affects the agricultural, industrial and commercial interests in the country as it relates to the improvement of railway finances and the interests affected are, therefore, naturally anxious as to the ways and means through which such an improvement is sought to be effected. It is a matter of deep regret that in an important investigation, experienced Indians are totally excluded on the plea that the conduct of the enquiry should be free from any tendentious character. I am at a loss to understand how such an enquiry can be otherwise, when the administration of railways in a country affects its whole economic structure. Persons, however eminent in their own sphere, if ignorant of the peculiar conditions pertaining to an Indian problem. are not likely to be helpful in arriving at a correct solution even after an exhaustive enquiry and if the enquiry is to be a success, it is necessary that there should be, on the Committee, proper Indian element who alone can bring their intimate acquaintance and knowledge of Indian conditions to bear on the investigation. In my Committee's view, the proper course would have been to appoint a Committee of Indians, with whom might be associated persons with special technical knowledge, but perhaps that course is no onger feasible. The best that can now be done is to enlarge the Committee by adding representative Indians to it. His Excellency will be pleased to see that if this is not done, the whole of the Indian public will feel grievous disappointment and the result of the enquiry carried on at much expense may not be satisfactory.

My Committee fail to understand how the Government of India could persuade themselves to make such a mistake, and to refuse to correct it even when it has been pointed out to them, specially on the eve of the introduction of the Reforms through which, it is claimed, that Indians are to be vested with wide responsibilities in the administration of the affairs of their country. I feel confident that His Excellency will be good enough to give his personal attention to this important question.

The terms of reference of the Committee are not only vague but are definitely wanting in certain respects. The Indian commercial community entertains an apprehension that the Enquiry Committee may recommend an enhancemet of the present freights and fares to improve the railway finances. In view of the present economic conditions of trade and the general public, it is necessary to remove all grounds for apprehension by explicitly placing out of court any proposal for enhancement of freights and fares. The attitude of the Government of India as regards co-ordination of rail and road transport is also likely to prejudice the findings of the Enquiry Committee. It is, therefore, necessary that the terms of reference of the Committee should be explicitly defined so as to leave no grounds for complaint in the minds of the Indian mercantile community. The reply which the Government of India in the Railway Department have recently given to the Indian Chamber of Commerce, Calcutta, (a copy of which I am enclosing for your ready reference) does not indicate any anxiety on their part to appreciate the point of view put forward with unanimity by all the Indian Chambers and Trade Associations, and hence I thought of approaching His Excellency the Viceroy with a view to secure redress of a legitimate grievance entertained by the mercantile community in this regard."

Copy of a letter No. F. 1472 dated 10th November, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to reproduce hereunder, for your information, a copy of a letter addressed by the President to the Private Secretary to His Excellency the Viceroy on the above subject."

Copy of a letter No. Rec. VIII dated 10th November, 1936, from the Government of India, Railway Department (Railway Board) to the Federation.

"With reference to your letter No. F. 1420 dated 4th November, 1936, expressing disappointment at the composition of the recently appointed Railway Enquiry Committee and terms of reference framed for their enquiry, I am asked to explain that the Government of India gave these matters their most careful consideration before reaching a decision.

"The Government of India were convinced of the need of appointing to this Committee acknowledged railway experts and deliberately selected these from other parts of the Empire to ensure that the conduct of the enquiry should, as far as possible, be free from any tendentious character.

"I am to add that it is understood that Sir Ralph Wedgwood intends to visit the principal cities and towns in India and doubtless all prominent commercial bodies will be given an opportunty of fully expressing their views to his Committee."

Copy of a D.O. letter dated 27th November, 1936, from Mr. J. G. Laithwaite, Private Secretary to His Excellency the Viceroy to Mr. D. P. Khaitan.

"I am to reply to your letter of the 9th of November, to which His Excellency has given very careful consideration. His Excellency understands that the Federaion and other commercial bodies have already been invited to send their views to the Committee and that there will be ample opportunities for personal contact between them and the Members of the Enquiry Committee. In the circumstances, His Excellency is satisfied that full weight will be given to the considerations urged in your letter, which were indeed present to the Government of India before their decision was arrived at; and His Excellency is of opinion that the balance of advantage lies in maintaining the purely expert nature of the Committee."

Copy of letter No. F. 1587 dated 1st December, 1936, from Mr. D. P. Khaitan to Mr. J. G. Laithwaite.

"I thank you for your letter of the 27th ultimo. As the Committee of the Federation met on the 29th, I had the opportunity to discuss the matter with the Members of the Committee. They regret His Excellency's decision to continue the Railway Enquiry Committee as already constituted. It is quite true that opportunity for personal contact between the commercial bodies and the Members of the Enquiry Committee will be provided. His Excellency will, however, be pleased to see that there is a great difference between Members of the Committee and witnesses. It is only the former before whom all information is placed and who are in a position to give fully considered advice on important matters as also to influence the opinions of their colleagues for the good of the country. As witnesses, persons can only put forward such facts and views as they can within their business. My Committee, therefore, hope that His Excellency will be pleased even now to reconsider the question and redress a grievance which is very widely felt in the country."

Copy of a letter No. F. 1548 dated 1st December, 1936, from the Federation to All Member-bodies.

"The Railway Inquiry Committee will be visiting a number of commercial centres with a view to understand the point of view of various Chambers of Commerce and Commercial Associations and the Committee of the Federation felt that it would facilitate the work of such bodies if a concise note on some of the important points relating to that inquiry was forwarded to Member-bodies for the use. Accordingly, I am enclosing herewith a note for the use of the Member-bodies and trust that these points will be considered in preparing the memoranda that will be submitted by the Member-bodies to the Members of the Railway Inquiry Committee."

A NOTE ON THE WORK BEFORE THE RAILWAY FINANCE INQUIRY COMMITTEE.

There seems to be serious misgivings about the position of the railway finances. These misgivings are due to the desire of the Central Government to get a contribution from the railways. They are further aggravated by Sir Otto Niemeyer's Report that unless the railways can make a contribution to the Central Budget, the Government of India cannot give to the provinces a share of income-tax. The Government of India are pressing the railways to make such a contribution even by an enhancement of fares and freights and are prepared to help the railways by passing legislation to curb motor competition. This, however, is not the correct angle from which the matter should be seen. As it is, the railways, in spite of over-capitalisation, are earning about 3.4 per cent. though there is a deficit in the interest charge by about Rs. 3½ crores having regard to the high rate of interest on a large amount of capital.

But to overhaul the railway finances, the real object of constructing the railways should not be forgotten, -namely, the provision of cheap and quick transport. It may be mentioned here that an enhancement of fare and freight would be an indirect taxation of the people at the cost of economic development. On the other hand, if the railway freight be kept at a low level, suitably addjusted for the development of inddustries, the additional wealth earned by the country would be several times over the amount by which railway freight may be lowered. In fact, ultimately the railways would also be gainers instead of losers on account of the additional income earned by the people through industries because the whole of that additional income would be spent in the purchase of materials in respect of which the railway would get traffic. The railway freight shou'd also be kept adjusted so that the agriculturists may be helped by the movement of their produce. The system of station to station rates and Schedule Rates should be fully utilised.

The complaints of the mercantile community are:—

1. That full advantage of the telescopic basis is not obtained as the result of the sliding scale being given a fresh start whenever the goods pass from one railway system to another.

2. That the railway risk rates are much higher than the owners' risk rates and are higher than what is permissible on the basis of insurance.

3. That Risk Note 'A' is invariably demanded without proper justification.

4. That the railway authorities, instead of trying to understand the point of view of the merchants and attract traffic, deal with them in a very autocratic matter.

5. That the railway authorities do not take any initiative for the purpose of developing industries on their lines.

6. That the present disparity in freight rates which are in some cases handicapping indigenous industries should be removed and with a view to safeguard the interests of trade and industries, there should be instituted a Railway Rates Tribunal which should be entrusted with all powers to determine all questions with regard to railway rates and charges. Such organization exists practically in all European countries and unless there is an impartial tribunal with the power of enforcing its decisions on railway administrations, the freight structure will always be built on irregular lines.

7. That there still exists in the railway administrations corruption and pilferage which put both the mercantile community and the Railways to loss.

8. That the railway administrations are wanting in the modern science of salesmanship which is necessary to attract traffic for a transport system which has had a monopoly of the traffic in the past, and which is at present finding competition from new and quicker modes of transport.

It is felt by the mercantile community that the railways are not worked efficiently. There appears to be no justification why railway freights should be higher now than what they were in 1913. If the scale of salaries has been increased, it ought to be lowered. There has been a great deal of wastage of capital by reason of building too costly stations, yards, etc.

Co-ordination of rail and motor transport has caused a great alarm in the public mind as indicating that the Government want to remove the only competitor from the field. On the one hand, the railway authorities would not reduce the freight or fare in any case unless there is competition and on the other hand, that very competition is sought to be killed. The problem of co-ordination should be kept in abeyance until and unless the railway authorities put their house in order by making the management of the railways efficient.

Copy of a Circular letter No. F. 1583 dated 4th December, 1936, from the Federation to all Member-bodies and Members of the Committee.

"In continuation of my previous circular letter No. F. 1472 dated 10th November, 1936, I am reproducing hereunder a copy of a reply dated 27th November, 1936, received by the President from the Private Secretary to His Excellency the Viceroy as also of a further communication addressed by the President to the Private Secretary to His Excellency the Viceroy, dated 1st December, 1936."

Copy of a D. O. letter dated 14th December, 1936, from Mr. J. G. Laithwaite, Private Secretary to His Excellency the Viceroy, to Mr. D. P. Khaitan.

"Thank you for your letter of 1st December, which has been laid before His Excellency the Viceroy. He has carefully considered the matter in the light of what you say, but he remains of opinion that the arrangements which have been made will give full opportunity to the commercial bodies to make their views known and to express their fully considered advice on all matters falling within the terms of the remit to the Committee, and he is glad to see that you agree that opportunity for personal contact with the members of the Enquiry Committee will be provided. He does not in these circumstances feel justified in reconsidering the personnel of the Committee."

Copy of a letter No. F. 1676 dated 21st December, 1936, from the Federation to all Member-bodies and Members of the Committee.

"In continuation of my previous circular letter No. F. 1583 dated 4th December, 1936, I am reproducing hereunder a copy of a reply dated 14th December, 1936, received from the Private Secretary to His Excellency the Viceroy by the President, stating that the Viceroy does not feel justified in reconsidering the personnel of the Railway Enquiry Committee."

INDO-BRITISH TRADE AGREEMENT

Copy of a letter No. F. 689 dated 18th May, 1936, from the Federation to the Government of India, Commerce Department.

"I am directed to refer to a press report dated Simla, 16th May, 1936—a cutting of which I am enclosing for your ready reference—and to invite your particular attention to the last para, thereof in which it is stated that the Government of India have, while giving notice to the Government of the United Kingdom to terminate the Ottawa Agreement, raised the question of some temporary provision to replace the Agreement, pending the Imperial Conference in London in 1937. The Committee of the Federation are rather surprised to find the Government of India raising up this question without consulting commercial and industrial interests in the country. It was explict in the decision taken by the Legislative Assembly that the Government of India should give notice to terminate the Trade Agreement with the Government of the United Kingdom and that they should investigate the question of entering into bilateral trade treaties with all the chief customers of India. I shall, therefore, be obliged if you will be good enough to forward to me a copy of the communication addressed to the Government of the United Kingdom conveying the notice to terminate the Trade Agreement."

Copy of circular letter No. F. 701 dated 22nd May, 1936, from the Federation to Members of the Committee.

"I am directed to enclose a copy of a Note prepared by the office on the working of the Ottawa Trade Agreement as affecting the export trade of India. With a slight improvement in the export trade of India. attempts are being made in the Press to attribute this improvement to the Ottawa Trade Agreement. The enclosed note does not justify such a conclusion. I should like to know whether the Members would appreciate the idea of sending the enclosed note to the Press; a reply is requested by 1st June, 1936, with any views about the draft that any Member may have to communicate."

Note on the Foreign Trade of India for the year 1935-36 viewed in relation to the operation of the Ottawa Trade Agreement.

"The exports from India to foreign countries during the year 1935-36 indicate an improvement of nearly 9 crores over the position for 1934-35, while in case of imports, the improvement is only 2 crores of rupees. The improvement in the export trade has given rise, in certain quarters, to an impression that it is due to the operation of the Ottawa Trade Agreement which has worked more to the advantage of India than to the advantage of the United Kingdom because of the presumption that exports to the United Kingdom increased by 2 crores while imports from the United Kingdom decreased by one crore and a half. It is rather unfair for any one to rush to conclusions based on general figures without analysing the position to the various commodities that have entered into the improvement of the export trade of India. When the Committee of the Federation expressed their decided opinion against the continuance of the Ottawa Trade Treaty, their conclusions were based on facts and figures adduced from Government publications and the statistics presented by the Committee were subjected to a very close examination and scrutiny at the hands of the Government officials on the floor of the Assembly when the question to terminate the Agreement was debated upon in the House. The question of political bias did not at all arise in respect of the case put forward by the Federation and the only point which was subject to criticism was the argument put forward by the Committee of the Federation that the Ottawa Trade Agreement intensified sub-conscious retaliation from non-Empire countries by resorting to import licenses, quota restrictions and exchange control to arrest the passivity of trade.

Analysing the figures for the export trade of India, one finds that against an improvement of nearly 2 crores in India's export trade with the United Kingdom, there is an improvement of nearly 5 crores in her trade with non-Empire countries. On percentage basis her trade with the United Kingdom improved by 3.9 per cent. but her exports to Germany improved by 21 per cent., to Belgium by 20 per cent., to France by 27 per cent., to U.S.A. by 25 per cent. and to other countries also by 25 per cent. It is, therefore, clear that in spite of certain restrictions and exchange control, is some of the countries of Europe, the export trade of India has shown an improvement because of a greater demand for raw materials required by these countries owing to their greater industrial output and had it not been or the operation of the Ottawa Treaty, the improvement in case of non-Empire countries would have still further increased. Further examination of the increase of 9 crores in the export trade of India reveals the following points:—

	Rs.
(a) Food, drink and tobacco—an improvement of	1 crore.
(b) Raw materials:—	
(i) Hides and Skins	1 „
(ii) Raw Jute	2.8 „
(iii) Wool	.8 „
(c) Jute Manufactures	2.0 „
Total ...	7.6 „

This gives us an indication that there has been an increase in the industrial production of industrialised countries of the west. The figures further show that agricultural produce has received a set-back, for example,

Tea	showing a set-back of	... ...	31 lakhs.
Spices	do.	... ...	22 „
Gums, lac	do.	... ...	169 „
Oil cakes	do.	...	15 „
Oil seeds	do.	... ...	22 „
Raw Cotton	do.	... ...	98 „

If we remember that the Ottawa Trade Treaty was primarily concluded with a view to give an impetus to the agricultural produce in India, the figures account for a set-back of about 4 crores from 1934-35.

But even these are general conclusions and to understand correctly the working of the Ottawa Trade Agreement, one must examine the extent to which the Agreement has stimulated export trade of India in several important commodities.

The following are the commodities recieving preference under the Ottawa Trade Agreement and indicating an improvement in their export to the United Kingdom:—

(i) Exports of coffee have gone up by 75,000 cwt. during 1935-36 with an increase in value of 30 lakhs of rupees, the following countries being responsible:—

INCREASE OVER 1934-35

(a) France	30,000 cwts.	of the value of Rs.	11 lakhs.
(b) U. K.	34,000 „	do. „	16 „
(c) Germany	4,000 „	do. „	1 „
(d) Belgium	4,000 „	do. „	2 „

(ii) Hides and Sikns Raw: There has been a general increase of 1 crore of rupees:—

U. K. 35 lakhs more than 1934-35.
U. S. A. 63 lakhs more than 1934-35.
Germany 8 lakhs more than 1934-35.

(iii) Pig Lead: There has been an increase of 43 lakhs in the total exports:

U. K.—20 lakhs more than 1934-35.
Japan—14 lakhs more than 1934-35.

(iv) Oil cakes: Though there has been a set-back of 15 lakhs in the total exports for 1934-35, U. K. is responsible for an improvement of 8 lakhs. India lost her market in Germany to extent of 12 lakhs, Belgium to the extent of 2 lakhs and Netherlands 4 lakhs.

(v) Paraffin wax: Exports have gone up by 36 lakhs:

U. K.—36 lakhs more than 1934-35.
Netherlnds—7 lakhs more than 1934-35.
Chilly—14 lakhs more than 1934-35.
Against a decrease to Italy—12 lakhs.
Against a decrease to Mexico—4 lakhs.
Against a decrease to U. S. A.—12 lakhs.

(vi) jute manufactures: The total exports increased by Rs. 2 crores:

U. K.—46 lakhs more than 1934-35.

U. S. A.—138 lakhs more than 1934-35.

(vii) Tobacco: There has been a general increase of 10 lakhs in the total exports:

U. K.—12 lakhs more than 1934-35.

(viii) Timber: The total exports increased by 21 lakhs over 1934-35:

U. K.—14 lakhs more than 1934-35.
Germany—5 lakhs more than 1934-35.

The above 8 items account for the total improvement of 178 lakhs in India's trade with U. K. in articles receiving preference under the Ottawa Trade Treaty against a total improvement of 4,25 lakhs in the export of these articles.

ARTICLES NOT RECEIVING ANY PREFERENTIAL TREATMENT

(a) Hemp: Total increase in exports of the value of 21 lakhs:

U. K.—7 lakhs more than 1934-35.
Belgium—7 lakhs more than 1934-35.

(b) Jute Raw: Total exports increased by nearly 3 crores of rupees.

U. K.—61 lakhs more than 1934-35.

Germany—84 lakhs more than 1934-35.

U. S. A.—60 lakhs more than 1934-35.

Spain—28 lakhs more than 1934-35.

France—16 lakhs more than 1934-35.

(c) Wool Raw: Total exports increased by 82 lakhs:

U. K.—45 lakhs more than 1934-35.

U. S. A.—33 lakhs more than 1934-35.

(d) Raw Cotton: Total exports received a set-back of 1 crore 20 lakhs:

U.K. taking 1 crore 9 lakhs more than 1934-35.
Germany—1 crore 20 lakhs more than 1934-35.
Belgium—77 lakhs more than 1934-35.
France—26 lakhs more than 1934-35.

Against this, there has been a set-back in India's exports to following countries:—

Italy—110 lakhs less than 1934-35.
China—24 lakhs less than 1934-35.
Japan—359 lakhs less than 1934-35.

The total extent of improvement secured in U. K. by articles not receiving any preference amounted to 222 lakhs over 1934-35, against a total improbement of 283 lakhs during the year.

The following articles, in spite of the preference under the Ottawa Trade Treaty, received a set-back in her exports to U. K.:

(a) Rice: The price of rice seems to have improved during the year 1935-36 as with a decrease in exports, the value has increased by 64 lakhs of rupees.

Total exports of rice decreased by 200,000 tons, U. K. taking 4,000 tons less than 1934-35, Germany 78,000 tons less, Netherlands 28,000 tons less, China 102,000 tons less.

(b) Tanned skins and hides: A set-back of 2 lakhs: U. K. took cow hides and sheep skins 40 lakhs more, while she took goat skins 43 lakhs less.

(c) Pig Iron: Total exports increased by 32 lakhs:

Japan—38 lakhs more than 1934-35.
U. S. A.—5 lakhs more than 1934-35.
But U. K.—6 lakhs less than 1934-35.

(d) Groundnuts: Total exports improved by 73 lakhs:

France—118 lakhs more than 1934-35.
Belgium—23 lakhs more than 1934-35.
Germany—28 lakhs more than 1934-35.
But U. K.—85 lakhs less than 1934-35.

(e) Linseed: The total exports of linseed suffered a set-back of 80 lakhs:

U. K.—27 lakhs less than 1934-35.
France—8 lakhs less than 1934-35.
Italy—5 lakhs less than 1934-35.
Australia—13 lakhs less than 1934-35.

(f) Rapeseed: Total exports decreased by 17 lakhs less than 1934-35.

U. K.—11 lakhs less than 1934-35.

Netherlands—5 lakhs less than 1934-35.

(g) Tea: Exports of tea received a set-back of 32 lakhs over 1934-35:

U. K.—40 lakhs less than 1934-35.

U. S. A.—7 lakhs less than 1934-35.

Iran—13 lakhs more than 1934-35.

(h' Woollen carpets: Received a set-back of 9 lakhs:

U. K.—took 14 lakhs less than 1934-35.

U. S. A.—7 lakhs more than 1934-35.

Total set-back received through articles coming under the Ottawa Trade Agreement amounts to 174 lakhs.

The above analysis justifies the following conclusions:—

(a) That in case of coffee, hides and skins raw, pig lead, oil cakes, paraffin wax, jute manufactures, tobacco and timber, there has been an all-round improvement in the export trade of these commodities to all parts of the world. Out of the total improvement of 425 lakhs covered up by these articles over 1934-35. U. K. is responsible for an improvement of 178 lakhs.

(b) That in case of hemp, raw jute and raw wool, not receiving any preference in U. K. market, there has been an improvement of 403 lakhs out of which the United Kingdom is responsible for 103 lakhs.

(c) That in case of cotton, though there has been a set-back of 120 lakhs, there was an improvement of 109 lakhs in India's exports of cotton to U. K.

But it must be remembered that Italy alone took India's cotton less to the extent of 110 lakhs, while Japan took less to the extent of 359 lakhs. Italy, in view of the war, is naturally expected to curtail her imports, while in case of Japan, in view of the impending revision of the trade treaty, her offtake of cotton is naturally cautious.

(d)) That in case of rice, pig iron and groundnut, in spite of an improvement of 169 lakhs, U. K. has imported less of these articles to the extent of 82 lakhs and this set-back which India received in the U. K. market is more than made good by her dealings with other nations.

(e) That in case of linseed, rapeseed, tea and woollen carpets, India has suffered a set-back to the extent of 138 lakhs, of which U. K. alone is responsible for 92 lakhs.

These are the conclusions which anybody analysing the figures for the year 1935-36 is entitled to draw and it would not be very difficult to arrive at a decision whether the Ottawa Trade Treaty has really come to the help of India in improving her export trade during 1935-36.

In the above analysis, only important items that have been the subject of examination either at the hands of the Government or the non-official Members of the Assembly are taken into consideration in ascertaining the effects of the Ottawa Trade Treaty during the year 1935-36 and even such a cursory examination shows that when there has been an improvement of 739 lakhs in the export of these articles to all countries, U. K. was responsible for 226 lakhs. The conclusion which one can draw from the examination is that it is owing to the general improvement in the industrial activities in some of the chief industrialised countries of the world that there has been an improvement in the export trade of India and not mainly due to the preference offered to India by U. K. in her markets.

Another point which has been made out is to the effect that in case of Germany particularly, under the exchange control scheme, there would not be any scope for greater exports from India to that country. The Committee of the Federation have all along been contending that if India had the power to offer to Germany an appreciable market in her import trade, Germany would take exports from India in relatively greater quantities. The working of the year 1935-36 brings out this theory more vividly before the public. India imported during the year 225 lakhs worth of German goods more than in 1934-35 thereby encouraging greater exports of Indian goods to them; the operation of the Ottawa Trade Agreement is a definite handicap towards this end and it would be rather risky to draw hasty conclusions based on general figures of export and import between India and the United Kingdom, as anybody who would care to analyse these figures would find for himself that the Ottawa Trade Agreement has not benefited India to the extent to which its supporters have credited it with.

It is not necessary to analyse the import figures into India from the United Kingdom to understand the advantage of the Ottawa Trade Treaty to the agriculural produce of India.

Copy of a letter No. F. 728 dated 2nd June, 1936, from the Federation to Government of India, Commerce Department, Simla.

"On behalf of the Committee of the Federation of Indian Chambers of Commerce and Industry, I am directed to state that as the Government of India have accepted the verdict of the Assembly on the question of the Ottawa Trade Agreement with the United Kingdom, the question of a new trade agreement between the United Kingdom and India will soon come up. The Committee feel that prior to opening up negotiations therefore, the Government of India should follow the procedure which was initiated by Sir Joseph Bhore, the then Commerce Member, while negotiating the Indo-Japanese Trade Agreement and should be in direct contact with the accredited representatives of Indian commercial, industrial and agricultural interests. They further suggest that with a view to enable the various interests to tender advice to Government, reliable statistics for the last ten years of import and export trade in each important commodity with the United Kingdom as also the direction of trade with the various important countries should be made available to non-official organizations representing those interests. Similar statistics, the Committee understand, were made available to the non-official advisers during the Indo-Japanese trade negotiations and they were of great use in enabling them to formulate correct opinion on proposals under negotiations by the Government of India.

Another information which the Committee desire the Government to supply them relates to the exact figures of Home Charges which the Indian Exchequer has had to pay during the last 10 years. It is necessary to have this information to understand India's liability for payments abroad outside the sphere of her export trade. The Committee trust that the Government would be pleased to take early steps to furnish the representative commercial associations with the necessary statistical data to enable them to submit useful suggestions for negotiating advantageous trade treaties. I shall much appreciate an early communication from you on this question."

Copy of a letter No. F. 783 dated 12th June, 1936, from the Federation to the Government of India, Commerce Department, Simla.

"I am directed to invite the attention of the Government of India to my communication No. F. 689 dated the 18th May, 1936, requesting for a copy of the notice given to the United Kingdom by the Government of India regarding the denunciation of the Ottawa Trade Agreement and to say that I have not so far received a copy of the notice. I trust the Government will be pleased to send the same to this office at an early date.

Further to my communication referred to above, I am directed by the Committee of the Federation to invite the Government of India's reference to a press report emanating from Simla dated the 11th June, (a copy of which is enclosed herewith for ready reference) wherein is stated the possibiliety of a stop-gap arrangement being entered into between India and the United Kingdom to cover the period between the termination of the Ottawa Agreement and the execution of a fresh one. The press report further gives an indication as regards the programme of th Government of India in connection with the negotiations for a fresh agreement between the United Kingdom and India, from which the Committee understand that when Mr. T. A. Stewart, the Commerce Secretary to the Government of India, goes on leave to England, his presence in England, may be availed of by the Government of India in carrying on certain preliminary talks with the Board of Trade in London regarding:—

(1) a stop-gap arrangement,

(2) the plan for negotiating a fresh trade agreement,

(3) the venue for the talks, and

(4) the personnel to conduct the negotiations.

The Committee of the Federation are surprised that the Government have not taken any initiative as yet to consult the mercantile community about these matters, alhough the Indian commercial interests, being in active touch with the export and import trade of India and cognisant of the circumstances that govern the direction of that trade, are not only primarily and vitally affected by any trade agreement but are most competent to advise Government on such matters. The Committee suggest that it would be more appropriate for the Government of India to take the Indian commercial interests in confidence and to consult them prior to any preliminary negotiations with the United Kingdom and not to approach them at a stage when all plans regarding the trade treaty with the United Kingdom have fully matured.

The Committee fail to understand why any secrecy should be maintained by the Government in this respect as they feel that full and frank discussion with the Indian commercial interests at every stage from the beginning would enable the Government to be fully cognisant of the several aspects of such negotiations and the possibility of committing the country to terms detrimental to its interests would lessen.

The Committee trust that the Government of India would be pleased to inform them of their intentions both about the procedure they intend to follow and of the steps they intend to take for the purpose of consulting Indian commercial interests on this question."

Copy of a circular letter No. F. 799 dated 17th June. 1936. from the Federation to Members of the Committee.

"With reference to my previous circular letter No. F. 701 dated 22nd May, 1936, I am directed by the President to inform you that after considering the views received from the Members of the Committee, he has thought it appropriate to take no further action on this question. In view of this, there will be no note issued to the press for publication on this question."

Copy of letter No. 20-T (7)/36 dated Simla, the 25th June, 1936, from the Government of India, Department of Commerce, to the Federation.

"I am directed to refer to the correspondence ending with your letter No. F. 783, dated the 12th June, 1936, on the above subject, and to point out that the information contained in the press reports, copies of which have been enclosed by you, is not correct. The Government of India regret that they are unable to accede to your request for a copy of their communication regarding notice of termination of the above Agreement."

Copy of a letter No. 885 dated 30th June, 1936, from the Federation to all Member-bodies and Members of the Committee.

"In continuation of this office endorsement No. F. 784 of the 13th instant forwarding a copy of a letter No. F. 783 dated the 12th June, 1936, addressed to the Government of India, Department of Commerce, Simla, I am now directed to forward a copy of a letter received from the Government of India on the above subject for your information."

A copy of confidential communication No. 20-T (6)/36 dated 22nd July, 1936, from the Government of India, Department of Commerce, to the Federation.

"I am directed to state for the information of the Committee of your Federation that His Majesty's Government in the United Kingdom have announced their willingness to enter upon discussions with the Government of India with a view to the conclusion of a trade agreement in replacement of that concluded at Ottawa in 1932, notice of denunciation of which was given on behalf of the Government of India on 13th May last.

2. The Government of India have had under consideration the method by which negotiations with His Majesty's Government can most conveniently be carried on and they are of opinion that, as a first step preliminary proposals should be prepared by both parties to the discussions and thereafter should be exchanged. In the preparation of their preliminary proposals the Government of India will associate with themselves a panel of unofficial advisers representative of commerce, industry and agriculture in India. It is hoped that it will be possible to announce the names of the unofficial advisers in the near future.

3. When each party—in the case of India, the Government of India in consultation with their unofficial advisers—has had an opportunity of examining the proposals of the other in relation to its own, a stage will be reached when it will be possible to formulate with some precision the outstanding issues. It is then proposed that personal contacts should be established in London between representatives of the Government of India and their unofficial advisers, on the one hand, and the representatives of His Majesty's Government, on the other, and that the final stages of the discussion be there concluded.

4. In order that the Government of India may be in a position to formulate their preliminary proposals, I am directed to invite the views of the Committee of your Federation as to the lines on which it is considered desirable to conclude an agreement, regard being had both to the advantages which should be sought for India and the reciprocal concessions which may be given in return. It is suggested, as a matter of convenience with a view to the simplification of the work of co-ordination of the various opinions expressed, that the existing Agreement be taken as a starting point and the views of the Committee of your Federation be expressed in the form of modifications thereof.

5. The Government of India are informed that His Majestf's Government will probably be in a position to put forward their preliminary proposals towards the end of August or the beginning of September, and I am to say that the Government of India would be grateful if the views of the Committee of your Federation were submitted not later than the 20th August in order to permit of simultaneous exchange of the preliminary proposals."

Copy of a letter No. F. 989 dated 28th July, 1936, from the Federation to Government of India, Commerce Department.

"I am directed to acknowledge receipt of your confidential communication No. 20-T(6) dated Simla, the 22nd July, 1936, which I received to-day on my return from Delhi and to state that the same is receiving the attention of the Committee. A further communication will be sent to you in due course."

Copy of a confidential circular letter No. F. 992 dated 30th July, 1936, from the Federation to all Member-bodies.

"I am directed to enclose, for the use of your Committee, a copy of a letter addressed by the Government of India to the Federation on the question of opening up negotiations with the United Kingdom for a reciprocal trade treaty between India and the United Kingdom. The Government of India have invited the views of the Federation as to the lines on which it is considered desirable to conclude an agreement between the two countries. They further suggest that as a matter of convenience, the existing arrangement should be taken as a starting point and views should be offered indicating the directions in which modifications are required in the existing trade agreement between the two countries.

As you are aware, the Legislative Assembly definitely expressed the countrys' desire that in terminating the Ottawa Trade Agreement, it wanted the Governor-General in Council to examine in full detail the implications of entering into bilateral trade agreements with important foreign customers of India with a view to evolve a plan whereby India would be offered opportunities for expanding her export trade not only with the United Kingdom but with all other foreign countries with a view to meet her obligations abroad. From the statistics relating to export and import trade of India for the last 10 years and the balance made available to India as a result of export and import trade in private merchandise and also as a result of export of gold since 1931-32, it can be seen that on an average during a period of five years ending with 1930-31, India had to send out Rs. 58.6 crores to meet her obligations abroad—in payment of pensions, provident fund contributions, interest services and other invisible imports. Similarly, during the period of 5 years ending with the year 1935-36 (that is 1931-32 to 1935-36), India paid, either through securing a favourable trade balance or through export of gold, on an average a sum of Rs. 78.6 crores per year towards the payment of these invisible imports. The fact that India will have to face amounts ranging from 75 crores to 80 crores per year towards the payment of her liabilities broad, cannot be ignored in negotiating a trade agreement with an important creditor country as the United Kingdom.

Since the setting in of depression in 1929-30, every country on the continent and even outside Europe is trying to negotiate, with every other country having trade relations with it, a bilateral trade agreement with a view to equalize trade balances. This has resulted in India having less favourable trade balances with a number of her foreign customers and the money which she used to get by her export trade with these countries used to go towards her payments to the United Kingdom for the invisible imports from that country. These payments, as is pointed out above, amounted to an average of Rs. 78.6 crores during the last five years and are mainly India's liability in respect of debt service, provident fund, pensions and other invisible imports from the United Kingdom. It should, therefore, be the concern of the United Kingdom to see that a sum of at least Rs. 75 crores is made available to India through her export transactions with her, as India will not in years to come be able to secure substantial favourable trade balances in her trade dealings with other countries excluding the United Kingdom.

During the last five years, a few factor has entered into India's dealings with the world in the form of substantial export of gold from India. Export of gold from India during the last five years facilitated the Government of India's payment of Home charge and other invisible imports and one cannot expect the country to rely upon continuous export of gold in such a substantial quantity as to offset any disadvantage that may accrue to this country by way of the dwindling of her export trade. In fact, the export of gold has already shown a tendency to diminish year by year. In the year 1932-33, exports of gold were to the value of 65.5 crores of rupees. They have gone down to 57 crores in 1933-34, 52.5 crores in 1934-35 and 37.3 crores in 1935-36. These figures indicate that we cannot rely upon the export of gold to pay for our invisible imports. If the Government had utilized during the last five years the gold that was offered for export for purposes of expansion of currency in the country with a view to make available substantial sums for rural uplift work and development of agriculture, the country would have experienced a period of prosperity, and the export trade would also have received an impetus. But as the Government have allowed the gold to be exported, it cannot be relied upon to be continued for a long time to come in such substantial quantities.

In view of intense economic nationalism prevailing in important foreign countries, all the other sources of expanding India's export trade with them and thereby making available to her a substantial amount by way of favourable balance of trade towards payment of her liabilities abroad, have dried up, and the only alternative that is left open is that the United Kingdom should make available to India a favourable trade balance to the extent of about 75 crores of rupees to enable India to pay for the invisible imports from the United Kingdom. There should be no question of India offering any tariff preferences to the United Kingdom as it is the United Kingdom that, being India's creditor to the extent of about 75 crores of rupees a year, must come forward to offer adequate preferences to stimulate India's export trade with her, resulting in a substantial favourable balance of trade for the payment of her liabilities to the United Kingdom. The term "reciprocal basis" need not, therefore, be so sacrasant as not allow considerations such as, India's payment to the United Kingdom for her invisible imports, being included in the negotiations between the two countries. If India is not allowed to pay for these invisible imports by way of services, it should be made easy for her to pay by her export to the United Kingdom.

The office has collected statistics for a period of 10 years of export trade of India in commodities at present affected by the Ottawa Agreement and I expect to send them for your use by Monday next.

I have indicated above some broad aspects of the relative position in which India and the United Kingdom stand to-day and shall be much obliged if your Committee would indicate to me, in a definite manner, ways and means by which India's export trade with the United Kingdom can be stimulated to give India a favourable trade balance to the extent of at least 75 crores of rupees. As the Government of India require these suggestions by 20th of August next, I shall much appreciate if you would be good enough to convey to me your Committee's suggestions, to reach this office not later than Thursday the 13th August, 1936."

Copy of letter No. F. 997 dated 1st August, 1936, from the Federation, to the Government of India Department of Commerce, Simla.

"In continuation of my letter of acknowledgement No. F. 989 dated 28th July, 1936, I am directed to suggest that the Government of India would be pleased to approach, at an early date, the organizations representing various commercial, industrial and agricultural interests including the Federation for nomination of unofficial advisers to them during the course of these trade negotiations with the United Kingdom."

Copy of a letter No. F. 1022 dated 4th August, 1936, from the Federation to Government of India, Commerce Department, Simla.

"In continuation of the correspondence ending with my letter No. F. 997 of the 1st instant, it appears from your letter dated the 22nd July, 1936, that the final stages of the discussion relating to a fresh trade agreement with the United Kingdom would be in London. The Committee presume that these negotiations would be carried on in London during next winter and they feel that it would be very inconvenient for some of the unofficial advisers to leave this country particularly when the elections for the provincial legislatures would be in full swing. The severe climate of the United Kingdom during winter may not also suit some Members of the Delegation.

2. There is another important consideration which the Committee desire to bring to the notice of the Government. It cannot be denied from past experience that when an Indian delegation goes to England, the negotiators on behalf of the United Kingdom do not deal on equal terms with the Indian representatives. During the negotiations for a trade treaty, it is obviously necessary in the interest of both the countries that the atmosphere should be one in which matters might be discussed with the utmost frankness. Such an atmosphere can only prevail in India. In England, the Indian representatives are also subject to influences which do not make for an impartial examination of the problems before them.

3. In the United Kingdom, the manufacturing interests particularly are well organized and it would not be difficult for the United Kingdom delegation to have day-to-day touch with these interests even if the final negotiations take place in India. On the other hand, the Indian delegation will find it difficult to maintain constant touch with the varying commercial, industrial and agricultural interests in this country scattered throughout this vast continent. This is greatly responsible for the

fact that the results of negotiations that have taken place outside India have always been of a nature such as to receive the strongest condemnation from the people. A striking contract presents itself in the matter of the last Indo-Japanese agreement which was negotiated in India.

4. It should not be forgotten that a trade treaty between the United Kingdom and India is necessary in the interests of the former in as much as that country has to draw about Rs. 80 crores per year from the latter. It is in the fitness of things, in the circumstances, that United Kingdom's representatives should come to India to negotiate a treaty.

5. The Committee, therefore, feel that these negotiations should take platce in India instead of in the United Kingdom and they trust that the Government of India would be pleased to give serious consideration to their suggestion."

Copy of a circular letter No. F. 1023 dated 4th August, 1936, from the Federation to all Member-bodies and Members of the Committee.

"In continuation of my circular letter No. F. 992 dated the 30th July, 1936, I am now forwarding, under separate cover, a draft of a communication intended to be addressed to the Government of India on the above subject and also certain statistics of import and export trade of India for a period of 10 years. I intend sending to-morrow a few figures relating to the import of certain commodities into the United Kingdom.

The President trusts it would be possible for the Member-bodies and Members of the Committee to forward suggestions to this office by Wednesday the 13th instant at the latest."

Copy of a letter No. F. 1024 dated 4th August, 1936, from the Federation to Members of the Committee and all Member-bodies.

"In continuation of my circular letter No. F. 1023 of to-day's date, I am enclosing a copy of a letter No. F. 1022 dated 4th August, 1936, addressed to the Government of India on the above subject and trust the point of view put forward would appeal to your Committee, in which case, I am to request support of your Committee to the suggestion made therein."

Copy of a letter No. F. 1027 dated 6th August, 1936, from the Federation to all Member-bodies and Members of the Committee.

"I am directed to forward a copy of a letter No. 997, dated 1st August, 1936, addressed by the Federation to the Government of India suggesting election of unofficial advisers in connection with the Indo-British Trade negotiations."

Copy of a D. O. setter No. F. 1044 dated 11th August, 1936, addressed by the President, Mr. D. P. Khaitan, to the Hon'ble Sir Muhammad Zafrullah Khan, Kt., Commerce Member, Government of India.

"I hope you would not mind my personally troubling you in regard to the selection of what your Secretary has been pleased to call "unofficial advisers" for the negotiations of a trade treaty between the United Kingdom and India. The letter issued by the Government asking for the opinion of the commercial bodies does not make clear that the representatives of India will be elected by the various interests (including the Federation of Indian Chambers of Commerce and Industry). The Secretary of the Federation addressed the Commerce Department suggesting that the organizations should be asked, at an early date, to elect their representatives. In reply, the Assistant Secretary to the Government of India, Commerce Department, simply states that the suggestion is noted.

I may point out that the office of the Federation has received communications from various Member-bodies and Members of the Committee expressing apprehensions about the intentions of Government as to whether the Government will invite representative organizations to elect representatives or not. Personally I can hardly conceive that the Government can make the mistake of nominating the representatives instead of securing them by election. It will be very helpful if you could kindly confirm that representative organizations (including the Federation of Indian Chambers of Commerce and Industry) will be invited to elect and that the Government will not nominate the representatives.

Another point that comes out with great force is that on the occasion of the Ottawa Conference, all the representatives of India were called "Delegates" and no distinction was made between officials and non-officials. I hope you will agree with me that the same method should be adopted for the forthcoming negotiations instead of the representatives of the various interests being merely called "unofficial advisers" and being asked to wait in the corridor when the actual negotiations are held. There is a difference between negotiations with Japan and those with the United Kingdom. In the former case, the officials would be fully trusted by the public to do their best in the interests of the country. In the latter case, as is very well known, there are grave and honest suspicions in the mind of the public that our Government are unduly influenced by His Majesty's Government for the benefit of the United Kingdom. I therefore, venture to think that even in the interests of the Government of India, properly elected representatives of Indian interests should be treated as the real delegates of the country.

I wonder why the Government have not yet issued invitations to the representative organizations for electing the delegates. According to the letter issued by the Commerce Department, the preliminary proposals of India are to be got ready between the 20th August and the beginning of September. To-day is already the 11th of August and no letter of invitation has so far been received even by the all-India representative body of the Indian mercantile community viz. the Federation. If it is the intention of the Government to wait till the opinions are received before issuing the request for election, I fail to understand why the matter should be delayed until then.

I hope you will agree with me that the invitation should be issued without further delay.

I presume having regard to the all-India interests represented by the Federation, it will be asked to send not less than three representatives."

Copy of a letter No. F. 1046 dated 11th August, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to forward for your information in confidence a copy of a D. O. letter No. F. 1044 addressed by the President to Sir Muhammad Zafrullah Khan, Commerce Member, Government of India. Please treat this as a confidential communication."

Copy of a letter No. F. 1076 dated 18th August, 1936, from the Federation to the Government of India, Commerce Department, Simla.

"With reference to your confidential communication No. 20-T(c), dated 22nd July, 1936, I am directed to inform you that the time at the disposal of the Committee of the Federation is so short that it has not been found possible to consult all the Member-bodies and Members of the Committee to submit the views in time to Government. The Committee, therefore, request the Government of India to extend the time limit by a further period of one week as they hope to forward their views by Friday, 28th August, 1936."

Copy of a letter No. F. 1111 dated 24th August, 1936, from the Federation to Government of India, Commerce Department.

"With reference to your confidential communication No. 20-T(C) dated 22nd July, 1936, I am directed to convey, for the information of the Government, the views of the Committee of the Federation of Indian Chambers of Commerce and Industry as under:—

2. At the outset, the Committee would refer to the suggestion made by the Government of India that the existing agreement be taken as a starting point and that views be expressed in the form of modifications thereof. The Ottawa Agreement is vitiated by radical blunders. The Indo-British Trade Agreement, which hangs on the Ottawa Agreement for its existence, has only to be read to show forth its inequities against India. It embodies concessions of a general character which take away from India the right of giving and maintaining adequate protection to her industries. Such concessions are further aimed at not only nullifying the policy of protection but also in establishing one-sided rights and claims in favour of the British industrialists against those of Indians. The Indian Legislative Assembly denounced both of them. The Committee of the Federation find it impossible to make them as the starting point.

3. The Indian Legislative Assembly perceived the futility of a trade agreement between the United Kingdom and India alone without a thorough-going effort to establishing India's trade relationship with the world as a whole. In fact, it appears to the Committee that to negotiate a trade agreement with the United Kingdom before enquiring into the possibilities of India's trade with the other countries is to put the cart before the horse.

4. The position above stated would be best understood by recognising certain fundamental aspects of the economic relationship between India and the United Kingdom. A correct appreciation of the relative position of the two countries is necessary for a clear understanding of the issues involved in a trade treaty between them.

5. The United Kingdom, during the last 150 years, has created substantial investments in India. Besides such investments, there are large interests in trade, services and professions. The extent of the United Kingdom's interest in all these directions necessitates a large amount of remittance constantly from India to the United Kingdom. No other country has similar relationship with India. United Kingdom has thus a very strong "personal" interest in getting a favourable balance of trade maintained for India, so that India's "balance of international indebtedness" may be met. The extent of the favourable balance of trade which it is necessary for India to secure to enable the United Kingdom to draw her "dividends," is found to be, on an average of the last five years' figures, about Rs. 78 crores per annum. In former years, India's export trade with countries other than the United Kingdom was in a strong position and she used to get a substantial favourable trade balance with which the payment for the invisible imports from the United Kingdom used to be met and India could also import goods and precious metals. In recent years, every important country has been trying to adjust her foreign trade with a view to minimise her balance of international indebtedness with the result that the advantage which the United Kingdom used to have in the Indian market as a result of India's substantial favourable trade balances with other countries, greatly diminished, as the favourable trade balance which India possessed in the past with other foreign countries got minimised in some cases, while in some others, it disappeared and in some cases, an adverse balance against India has resulted.

6. It would, therefore, be unwise to rely on other foreign countries giving in future a favourable trade balance to India for the benefit of the United Kingdom and no amount of argument can dislodge this position. The United Kingdom must make up her mind to buy from India much larger quantities of goods in value than she exports to this country.

7. If the United Kingdom, in negotiating a trade treaty with India, has in view the securing of preferences which would enable her to export more to India, she must arrange to import from India still more goods. It may also be pointed out in this connection that as the United Kingdom wants to export more goods to India and as the bulk of these exports are manufactured goods, her desire to export more stands in the way of the development of the indigenous industries in India. Both in the interest of the United Kingdom's drawing of "dividends" and in India's interest of developing indigenous industries, the United Kingdom should not be so keen to increase her exports to India as to increase her imports from this country.

8. It will be remembered that in September, 1931, the position of maintaining the required favourable balance and the rate of exchange insisted on by the Government became very precarious. But at that time, on account of the devaluation of the £, the rupee was correspondingly

devalued and the rate of gold consequently went up. The depressed condition of the masses and the lower middle classes forced them to sell gold and the export of gold in large quantities commenced. Between September 1931, and 1st August, 1936, gold of the value of Rs. 278 crores has, against the unanimous desire and the economic interests of the country, left its shores. The Government could and should have utilised this enormous outflow of gold from peoples' homes for the purpose of strengthening the paper currency reserves and against which the currency could and should have been issued for purposes of rural uplift and industrial development work on a large scale. If the Government had acted up to their responsibility, it may be safely presumed that distress gold would not have been forced to come out in as large a quantity as it has done.

9. But this obvious and necessary step was not taken by the Government of India for the sole reason that the export of gold on such a large scale furnishhed the only method for supplying the margin between the favourable balance of trade in merchandise and the amount of balance needed to enable the Unitd Kingdom to draw her "dividends."

10. It cannot be gainsaid that a favourable balance of trade with other countries and continuous export of gold (even at a great material injury to India) cannot be relied upon by the United Kingdom in her own interest to supply the necessary margin. May it be hoped that even at this stage, the United Kingdom will take her real interests into consideration if she wants that the rupee-sterling ratio should be maintained at the present rate and that a serious upset, from the United Kingdom's point of view, may not take place in her trade with India as soon as the undesirable outflow of gold stops or is even reduced to a considerable extent? It should not be forgotten that in past years, India used to import gold and she is much concerned at the large export of the yellow metal during the last five years. The United Kingdom should now rest satisfied with having drawn out very nearly Rs. 300 crores worth of yellow metal from this country, and should devise other means of stimulating India's export trade with her.

11. It follows, particularly from the dwindling favourable balance of trade of India with other countries and the almost sure prospect of the export of gold stopping, that there can be no question of India offering preferences to the United Kingdom; and what ought to engage the serious consideration of the British statesmen is, what preferences the United Kingdom, in her own interests, is prepared to give India for purposes of drawing her own "dividends" from this country.

12. As is well known, the United Kingdom, in order to draw the gains and returns from her investments and services in the world, has an unfavourable balance of trade in merchandise to the extent of £272.7 millions (being the average of the years 1933, 1934 and 1935), and it is meet and proper that about a fifth of this should constitute the balance of imports from, over exports to, India.

13. If it is to be contended by the United Kingdom that such a proposition is not practical, it is up to the United Kingdom, in her own interests, to bring about the result by securing the necessary balance, not

only by herself taking an excess of imports from, over exports to, India but also by bringing about suitable arrangements with all Empire countries and such other countries as owe doubts to the United Kingdom and the other countries of the world. In the opinion of the Committee, for obvious reasons, such arrangements should precede the negotiation of a trade treaty between the United Kingdom and India because it is only then that a clear perspective will be available of what goal should be achieved as the result of an agreement between the United Kingdom and India.

14. The above principles were ignored when the Ottawa Agreement was made. Its working during the last three years disclosed certain handicaps under which India laboured as compared to other countries. It was pointed out on more than one occasion that the grant of 10 per cent. preference by the United Kingdom to imports from India has not been found effective to stimulate expansion of her trade with the United Kingdom. One of the causes was the competitive strength of some of the exporting countries due to greater devaluation of their currencies than India, as will appear from the following table:—

PERCENTAGE DISCOUNT IN RELATION TO GOLD PARITIES

	1931.	1932.	1934.	1936.	
Great Britain ...	6.91	28.19	38.23	40.64	(May, 1935)
India ...	7.70	27.82	38.10	40.71	(April, 1935)
Canada ...	3.67	11.91	39.76	40.55	
Australia ...	27.77	42.48	50.86	53.20	
New Zealand ...	14.67	34.21	50.67	52.91	
Argentine ...	30.82	39.42	64.21	64.18	
Brazil ...	41.24	40.46	65.93	69.87	

During the course of negotiations, the Government of India should seriously consider means to counterbalance the handicap arising out of this factor.

15. The Committee do not desire to lay down in detail the extent of preference that is required for the improvement of India's export trade in the United Kingdom market. But they are indicating general lines to be taken into account during these negotiations.

16. Wheat:—India ranks third in acreage and production of wheat among the wheat-producing countries of the world and Indian wheat used to be exported in substantial quantities in the past. Her exports to the United Kingdom in 1926-27 were of the value of Rs. 2.1 crores, in 1927-28 Rs. 3.6 crores. They were scarcely worth Rs. 6 lakhs in 1935-36. The preference of 2s. per quarter has not been of any use to Indian wheat partly because of large imports from other Empire countries which also enjoy the same preference and partly because of large imports from other countries with greater depreciated currencies. Indian wheat is not of an inferior quality and India should, therefore, be given either an effective preference or a definite quota for wheat in the United Kingdom market.

17. Rice:—Indian production of rice is about 3 crores of tons per annum and is capable of further expansion. If the United Kingdom gives to India a secure market for her rice, it would immediately improve the purchasing power of the agriculturists engaged in the production of this crop. Excluding Burmese rice, India exports about 2 lakhs of tons rice of good quality. Indian rice should be assured of a good market not only in the United Kingdom, but also in the Protectorates and Colonies. Ceylon is one of the biggest rice-importers of the world; while she enjoys preference for some of her exports to India, Indian rice is subjected to a duty of Rs. 1 per cwt. in Ceylon. The United Kingdom should be prevailed upon to offer an effective preference to Indian rice not only in her own market but also in her protectorates and colonies. Java and Japan were once rice-importing countries but they have so developed their export trade that they are exporting rice in very substantial quantities. India, if offered an adequate preference, will be able to supply any demand for export of rice.

18. Linseed:—Taking the group of oil seeds, the chief articles are lineed and groundnut. Linseed has not been securing a foothold in the United Kingdom market which was expected of the commodity when the trade agreement was negotiated three years back. From the figures relating to the export of linseed, it will be seen that the exports have come down from 176,000 tons in 1933-34 to 104,000 tons in 1934-35 and to 76,000 tons in 1935-36. Improvement in India's export of linseed in 1933-34 and 1934-35 was due to the failure of linseed crop in Argentine and America. It seems, however, that linseed is experiencing effective competition from Argentine in the United Kingdom market. The Committee understand that the drawback given to all oil extractors of Argentine linseed in the United Kingdom still exists nullifying whatever little preference India secured under the treaty. Either the preference in this respect should be made effective or the imports into the United Kingdom should be fixed on a quota basis so as to enable India to export a substantial amount of linseed. It should further be noted that Indian linseed is of a superior kind and always commands a premium of £1 per ton. So the question of inferior quality does not arise in this case.

19. Groundnut:—In the case of groundnut, no advantage appears to have accrued to India in the United Kingdom market. India has been also losing her chief foreign customers, such as, France, Germany, Netherlands and Italy. All these countries used to import Indian groundnut on a large scale right up to the year 1931-32. It is said that groundnut experiences competition from soya bean and cotton seed in the United Kingdom market. Preference in respect of groundnut should be so arranged that there may be much larger export of that commodity to the United Kingdom. This may be done by increasing the import duty on soya bean and cotton seed.

20. India does not grow soya bean but India can be expected to supply the requirements of the United Kingdom in cotton seed. Cotton seed does not come under the schmee of tariff preferences and the trade which India once possessed in 1928-29 in her export of cotton seed to the United Kingdom to the value of Rs. 1 crore 22 lakhs has altogether disappeared in recent years. The question of bringing cotton seed under the

scheme of tariff preferences should be examined in relationship with consumption thereof in India itself and the fact that cotton seed is only a byeproduct.

21. Groundnut oil:—During the period of 1931-32 to 1933-34, the United Kingdom imported large quantities of groundnut oil from India, the imports being 280,000 gallons in 1931-32, 664,000 gallons in 1932-33 and 507,000 gallons in 1933-34. During the last two years, she imported very much less. The Government of India should investigate as to the unfavourable position of India's groundnut oil in the United Kingdom as the price parity is not against Indian product.

22. Coffee:—There has been no doubt some improvement in the export of coffee to the United Kingdom during the year 1935-36, but it has been admitted even by Government that the preference at present givn to Indian coffee is not sufficient to oust Costa Rica coffee from the United Kingdom market. In the case of this article, except British East Africa, no other Empire country is interested in the supply; and Costa Rica, a non-Empire country, is a substantial supplier to the United Kingdom market. It is necessary, therefore, to ascertain from the coffee interests the extent of preference that is needed in the United Kingdom market against non-Empire produce.

23. Tea:—It is well known that India can produce and export more tea than she is doing at present. The Committee are aware of the international agreement in this connection; but in the interest of securing a more fabourable balance of trade for India, this commodity deserves further consideration. It may be further pointed out that the recent uniform increase in the import duty by the United Kingdom has resulted in a percentage decrease of the preference enjoyed by Indian tea.

24. Tobacco:—Consumption of unmanufactured tobacco in the United Kingdom is increasing day by day. From 174 million lbs. in 1932, it has gone up to 239 million lbs. in 1934. The chief sources of supply are Southern Rhodesia, Nayasaland and U. S. A., the U. S. A. supplying nearly 75 per cent. of the requirements. Examining the figures, it is found that India's share has been declining. The Government of India should, therefore, try to source a more effective preference for Indian tobacco in the United Kingdom market in view of India's potentiality in producing tobacco crop.

25. Raw Cotton:—There has been no doubt an improvement in the export of raw cotton to the United Kingdom, the increase being 81,000 tons in 1935-36 against 61,000 tons and 62,000 tons in 1933-34 and 1934-35 respectively. The position is still not satisfactory from India's point of view as will be seen from the following extract from the proceedings of the 32nd meeting of the Indian Central Cotton Committee held in January last:—

> "The Indian cotton exporter still felt there was room for great improvement regarding the handling of Indian cotton in Liverpool. This was important as it greatly affected dealings between India and Britain in raw cotton. For instance, about two years ago there were serious complaints that Indian cotton was being treated more harshly

> in Liverpool arbitrations than it deserved.......... .... The Liverpool Cotton Association had revised their Futures Contract with the result that while cotton coming from other parts of the world and especially the Empire had been included in it, Indian cotton alone was kept out. The reason given was not that India did not produce cotton which possessed the required strength, length and cleanliness required. .... If India and Britain were to get closer in regard to cotton dealings and if cotton export to United Kingdom were to be on a very large scale, these grievances of the cotton trade should be set right and Indian requirements met fully at Liverpool."

The proposal which the Indian Delegation put forward at Ottawa for a definite preference through the import duty for Indian cotton should be with force renewed by the Government of India in their negotiations with the United Kingdom as the Committee feel that levying of an import duty on non-Empire cotton would alone give an adequate impetus to the export of Indian cotton to the United Kingdom market.

26. When Japan is made to take 1 million bales of cotton against 325 millions of yards of piecegoods and 1½ million bales of cotton against 400 million yards of piecegoods, there is no reason why the United Kingdom should not enter into a similar arrangement. The United Kingdom are aware what cotton India has to export and in this connection, reference may be made to the note submitted by the East India Cotton Association in connection with the pending negotiations with Japan.

27. Tanned Hides and Skins:—India has not had her due share in the supply of these articles to the United Kingdom market. The U.S.A. and U.S.S.R. and Canada are the three prominent suppliers. Even the other suppliers such as, New Zealand, Australia and the Union of South Africa, have all along during the years 1932, 1933 and 1934, been improving their position in the United Kingdom market and one does not exactly understand the difficulty of India's securing any appreciable portion of the market. The question should be thoroughly gone into by the Government of India.

28. Sugar and Molasses:—The Government should endeavour to see that it may become possible for the export of sugar (at least unrefined) from India to the United Kingdom and that by reason of adequate preference given, it may be possible to export molasses in larger quantities and at better rates.

29. Turning to the import trade of India, in view of the arguments given above, the Committee of the Federation do not see how any preference can be given by India to the United Kingdom. Still under the Ottawa Agreement, the United Kingdom has taken preferential treatment in the Indian market for 167 important manufactured articles.

30. As United Kingdom's requirements from India consist of food and raw materials for her industries, grant of preference by the United Kingdom has the effect of stimulating her enterprise; while grant of preference by India to manufactured articles of the United Kingdom results not only in the sacrifice of Indian revenue, but actually enables

British manufacturers to compete in some cases with Indian industries curtailing thereby the scope of employment in this country. It further amounts to a payment of a premium to British manufacturers at the cost of goodwill of other non-British foreign manufacturing countries which are as good customers as the United Kingdom.

31. The preference given to the United Kingdom is to the exclusion of all these countries and the Government of India are not entitled to offer the same extent of preference to other countries with the result that they have to bargaining power left for negotiating reciprocal trade treaties with other foreign countries. On the other hand, at Ottawa, the Government of the United Kingdom gave preferences to India, Dominions and Colonies for the supply of same commodities with the result that India could not take advantage of the preference offered to her owing to other countries being competitors in the field. while in the Indian market, the United Kingdom manufacturers had the exclusive field to themselves.

32. In any event, the Committee desire to make it clear that should any preferences be forced upon India under the fresh trade treaty, she should also be entitled to offer similarly to any of her important foreign customers for negotiating reciprocal trade treaties with them.

33. The preferences given by India to the United Kingdom in respect of cotton textile piecegoods, yarn, artificial silk, silk and iron and steel manufactures, etc. should form the subject of fresh consideration and the loss that India suffers therefrom should be removed. The recent decision of the Government of India in reducing the import protective duty on cotton textile imports by 5 per cent. will materially affect the indigenous textile industry. If they had increased the import duty as justified by the evidence tendered before the Special Tariff Board, it would have checked to some extent the imports of textile piecegoods from the United Kingdom and the trade balance to that extent would have become favourable to this country.

34. The position of the steel industry also requires special consideration. There is wide margin of preference to British over non-British materials in the existing Tariff Schedule from steel but according to the principle introduced by the Tariff Board in 1926, the lower duty on British as compared with non-British steel was regarded as differential and not preferential duty. This principle was recognized by Government in the face of the opposition of the non-official Members of the Assembly.

35. Galvanized sheets, where no distinction between standard and non-standard steel could be urged, were not then subjected to any differential duty. Under the Ottawa Agreement, British galvanized sheets were accorded a distinct measure of preference, the 'quid pro quo' being (1) the admission of Indian pig iron free of duty into the United Kingdom and (2) a special agreement made by the Indian steel industry with the British sheet manufacturers under which Indian sheet bars were forwarded to the United Kingdom to be manufactured into galvanized sheets which were re-imported into India under a special low rate of duty. The latter arrangement has become inoperative after the revision of the duties

in 1934. Nevertheless the Tariff Board recommended a large preference to British galvanized sheets based on the Ottawa Agreement. This recommendation was adopted by Government. The only return for this preference is the admission of Indian pig iron free of duty into the United Kingdom. As the United Kingdom is, and is likely to be for several years, in urgent need of pig iron, there is very little reason to suppose that it will be to its interest to impose a duty on Indian pig iron even if the valuable preference now enjoyed by it on galvanized sheets is removed.

36. The Committee urge that the valuable advantage enjoyed by the British steel industry in the Indian market, under whatever name it may be designated, should be taken into consideration in the course of these negotiations and if it is to be continued, the fact should be taken into account in presenting the Indian case for preference in the United Kingdom market.

37. In case of imports of articles required in India for the process of manufacture in some of the industries the British manufacturing firms established in India and relying upon British sources of raw materials are placed at a greater advantage as compared to Indian manufacturing concerns relying on raw materials from other non-British manufacturing countries. A very apt illustration of this effect is the import of aluminium sheets and circles, in respect of which the United Kingdom manufacturers are enjoying a preference of 10 per cent. The net effect of the operation of preference in this case during the last three years has not resulted in any benefit to the Indian consumers, as the British manufacturers never reduced the value of the metal to the extent of the preference enjoyed by them. It resulted on the other hand in a direct gain to the importers of the metal. The fact that the imports take place at the hands of only one firm, which has factories for the manufacture of utensils out of these sheets and circles in Bombay and Calcutta. would mean that a direct subsidy has been received by that one British firm as a result of this preference. The British manufacturing interests in this country possess thus the power to cut their competitors in the market, if they so desired. Another indirect result of the inclusion of aluminium sheets and circles in the Agreement has been to give an overwhelming pull to the British competitors in the export of aluminium goods under the present drawback rules, as the drawback is now calculated only at the lower rate of duty i.e., 20 per cent. Those Indian manufacturing concerns which are importing their metal from sources other than the United Kingdom and are paying 30 per cent. duty are put at serious disadvantage in the markets for Indian manufactures outside India.

38. Chemicals and Chemical preparations:—The imports have increased during the last three years from 2.7 crores of rupees to 3.1 crores. During the first two years of the Agreement, the United Kingdom secured a substantial share of the Indian market. It is not possible to assess the extent of advantage which she secured during the year 1935-36, but it must be noted that in a number of chemicals which are generally used in the manufacture of other articles in India, the grant of 10 per cent. preference to the United Kingdom goods has placed a handicap upon the smaller industries in India needing and utilising continental chemicals in their

manufacturing process. The Committee, therefore, suggest that this preference should disappear.

39. The question of smaller industries was raised during the ratification of the present Ottawa Trade Agreement, but the Committee regret to find that no effect appears to have been made by the Government of India to examine the effect of preferences given to the United Kingdom on the development of smaller industries in the country. In some cases, such preferences may be directly affecting the growth of smaller industries, while in the case of some, the raw materials required in the process of manufacture may have been made dearer to small industries, with the result that their competing power is thereby lessened.

40. The Committee have not gone in detail into the various articles of export and import because according to them, there is the fundamental necessity of the United Kingdom giving to India an adequate favourable balance of trade in merchandise. They do not know how the United Kingdom proposes to achieve this result. It is, in their opinion, essential that the United Kingdom should consider the question from this point of view and her proposals should then be examined."

Copy of the above letter No. F. 1111 was circulated among the Member-bodies and Members of the Cmmittee under endorsement No. 1114 dated 24th August, 1936.

Copy of letter D. O. No. 20-T (6)/36 dated 4-9-36 from the Hon'ble Sir Muhammad Zafrulla Khan, Commerce Member, Government of India, to Mr. D. P. Khaitan, President of the Federation.

"I regret that it has not been possible to reply earlier to your letter of the 11th August on the subject of unofficial advisers for the purposes of the forthcoming negotiations with His Majesty's Government. It was necessary, however, for me to await replies to invitations which had already issued before your letter was received.

2. In view of the possibility that our unofficial advisers may have to proceed to the United Kingdom, you will I am sure realize that a panel of the nature of that summoned in connection with the Indo-Japanese negotiations would have been wholly unwieldy and unjustifiably expensive. On the other hand, it would have been impossible to invite only a few selected commercial bodies to nominate representatives and to leave all others out in the cold. It was therefore decided to issue direct invitations and I think you will agree that the selection made is truly representative of Indian commercial interests.

3. It is, of course, not the intention of the Government of India that their unofficial advisers should be subjected to the discourtesy of being asked—in your own phrase—to wait in the corridor. In this connection, I would refer you to para 3 of the official letter of 22nd July, a copy of which was addressed to your Federation."

Copy of the President's reply No. F. 1213 dated 7th September, 1936, to the Hon'ble the Commerce Member.

"I thank you for your D. O. No. 20-T. (6)/36 of the 4th inst. I appreciate the reasons which induced you to issue direct invitations. I agree that the selection made is truly representative of Indian commercial interests.

I do hope that it will not be made a precedent for future occasions. You are aware that Indians are very keen on the principle of election being followed.'

Copy of a letter No. F. 1218 dated 8th September, 1936, from the Federation to Member-bodies and Members of the Committee.

"In continuation of my circular letter No. F. 1046 dated the 11th August, 1936, I am directed to forward, for your information, a *copy of Sir Zafrulla Khan's letter to Mr. D. P. Khaitan and the latter's reply to the Commerce Member, on the above subject."

Copy of D. O. letter No. F. 1402 dated 2nd November, 1936, from Mr. D. P. Khaitan, President of the Federation, to Sir Zafrullah Khan, Commerce Member, Government of India, New Delhi.

"My attention was drawn to a press communique issued by your Department on 19th October, regarding the continuance in force of the Ottawa Trade Agreement subject to termination at three months' notice pending conclusion of a new agreement. I quite see that it is more or less a question of bridging over the period between the termination of the present agreement and the conclusion of a new one. But as you must have realized, it has given rise to a great deal of apprehension in the minds of the commercial community. The Committee of the Federation, however, feel that though some sort of interim arrangement may be desirable, in no case should such arrangement extend beyond an inevitably necessary period which, in the absence of a new agreement being arrived at, may be put as the end of June next. I shall be glad, therefore, if you will confirm this impression of the Committee on this question."

Copy of a confidential circular letter No. F. 1471 dated 10th November, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to reproduce hereunder, for your confidential information, a copy of a demi-official letter No. F. 1402 addressed by the President to the Hon'ble Chaudhry Sir Muhammad Zafrullah Khan, Commerce Member to the Government of India, in connection with the above subject."

Copy of D. O. 20-T(6) dated New Delhi, the 14th November, 1936, from the Hon'ble Sir Muhammad Zafrullah Khan to Mr. D. P. Khaitan, the President.

"I write to acknowledge the receipt of your letter, dated the 2nd

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*Enclosure printed above.

November, 1936, regarding the temporary arrangement made for the continuance of the Ottawa Trade Agreement subject to termination at three months' notice by either side pending conclusion of a new Agreement with the United Kingdom. I am glad to note that the Federation of Indian Chambers of Commerce and Industry realise that some such interim arrangement was desirable. I am afraid, however, it is not possible to calculate at the present moment the period that may be required before a new Agreement is concluded. In this connection I invite your attention to the repies given by me to Question No. 452 and its supplementaries asked by Mr. Satyamurti in the Legislative Assembly on the 17th September, 1936."

Copy of a circular No. F. 1521 dated 19th November, 1936, from the Federation to Member-bodies and Members of the Committee.

"In continuation of my circular letter No. F. 1471 of the 10th instant, I am directed to reproduce below, for your confidential information, a copy of the reply from the Hon'ble Sir Muhammad Zafrullah Khan to Mr. D. P. Khaitan, the President, on the above subject."

Copy of a Press Note dated 17th January, 1937, issued by the Federation to Member-bodies, Members of the Committee and Press.

"The Chairman of the Indian section of the Manchester Chamber of Commerce, while presiding at the Annual Meeting expressed an earnest desire for a policy of co-operation and reciprocity in the trade relation between India and U. K. and called for a trade treaty on the 'quid pro quo' basis. The Indian commercial community has been insisting upon the strict observance of these very principles but they were thrown overboard when Ottawa Agreement was negotiated in 1932. Under the plea of discriminating protection, the British textile interests and iron and steel interests were granted, by the Government of India, against universal opposition, preferences far more in excess than warranted by considerations of either the consumers interests or those of the Indian industries. These preferences, during the currency of the agreement, were further increased without any talk of 'quid pro quo'. The British industrial interests ignore that the basic principle of a policy of healthy protection is that the industry is given protection with a view to its proper development—resulting in the elimination of foreign imports and with a view to make that country self-sufficient in the requirement of that manufactured article. If an Indian protected industry achieves this object none of the foreign importing interests should have any ground for complaint.

The British industrial and trade interests while talking about a 'quid pro quo' trade treaty with India, should not forget the application of a principle—which they insisted in the conclusion of a trade treaty between U. K. and U. S. S. R.—and which is that in a truly reciprocal and 'quid pro quo' trade agreement between any two countries the visible and invisible imports and exports must be taken into account. The Indian commercial interests and even the extreme political opinion in India will not have any ground to complain if this principle is faithfully observed durin the present negotiations between India and U. K. In fact, in the acceptance of that principle alone will lie a permanent solution to the maintainance of happy relations between these two countries.

Mr. Campbell, while analysing the export trade of India, lays stress upon the 31.5 per cent. of Britain's contribution compared to 15 per cent. of Japan. But 31.5 per cent. is not a correct figure as it includes substantial exports of Indian tea and hides and skins for entrepot trade via London market. It should be noted also that while U. K.'s share in India's import trade is 38.8 per cent., Japan's share is only 16 per cent. Besides, the trade relations between Japan and India as regards two main items of import and export are fixed on quota basis with maximum limits, while U. K. industrial interests have unfettered scope in the Indian market with a further help of substantial preferences against all foreign manufacturers. It should be further noted that India's export trade with U. K. is almost cent. per cent. composed of raw materials required by U. K. in the manufacture of its exporting industries, her import trade from U. K. is of wholly manufactured articles. U. K.'s exporting industries, in their own interests, demand free entry for these raw materials and the preferences offered by U. K. to India are, therefore, of doubtful value. All these considerations should be given due weight in arriving at an equitable and 'quid pro quo' agreement.

It is unfair to draw comparisons between any two countries. The true test lies in assessing the net results of the trade relations of a country with all her customers as well as her suppliers. It is therefore, necessary to review the whole export and import trade of India if the advantages arising out of a trade agreement with U. K. are to be correctly measured and mere nature of a trade balance of U. K. with India is no criterion for judging its merits. Given the goodwill and correct appreciation of one another's point of view and difficulties, it may not be difficult to arrive at a trade agreement between U. K. and India based on reciprocity and 'quid pro quo' and for that end it is necessary that these trade negotiations should be free from all political domineering which U. K. is tempted to exercise in the interests of its own industrial interests."

Copy of a circular letter No. F. 129 dated 17th January, 1937, from the Federation to Members of the Committee.

"You must have noticed that during the last three or four weeks there is a persistent propaganda initiated by the British industrial interests, particularly the British textile interests, as regards the advantages to India as a result of the present trade treaty with U. K. Mr. A. D. Campbell, Chairman of the Indian section of the Manchester Chamber of Commerce, put forth a plea for a 'quid pro quo' trade treaty between India and U. K. The report of His Majesty's Senior Trade Commissioner, dealing with the economic conditions in India is more or less also written in the same vein. I, therefore, deemed it necessary to issue a short press-note on the question of a 'quid pro quo' trade treaty between U. K. and India a copy of which I am enclosing for your information."

APPOINTMENT OF AN INDIAN ON THE 408 COMMITTEE OF THE INTERNATIONAL LABOUR ORGANISATION

Copy of a report dated 29th May, 1936 submitted by Mr. D. S. Erulkar, to the President and Members of the Committee of the Federation.

"At the last (April) sessions of the Governing Body, the question of the re-election of an expert for India on the 408 Committee, came up, and the Director in his report, had suggested the re-appointment of Sir Selwyn Fremantle. The 408 Committee examines the Annual Reports by States Members on the measures they have taken to give effect to the provisions of conventions to which they are parties. All the experts on this Committee are as a practice nationals of certain countries with the single exception of India, whose expert is Sir Selwyn Fremantle. Their expenses to attend meetings are paid by the Organization. Accordingly, when the Budget was being discussed in the Finance Committee, I asked the Director whether he would provide for an expert travelling from India in the place of the present arrangement whereby Sir Selwyn Fremantle attends from Great Britain as representing India. The Director on the occasion gave an unsatisfactory reply, stating that the experts were not from any particular countries. In view of this, I realized that I must put up an Indian with good credentials to serve on the Committee on behalf of India in the place of Sir Selwyn Fremantle. I thought of Sir Jehangir C. Coyajee, and wrote to the Director that I intended to propose his name, and asked him to circulate to the Members of the Governing Body my proposal with Sir Jehangir's full credentials, which I copied from the Who's Who. This had the desired effect, and the Director, after receipt, took me aside and asked me about my proposal. I pointed out to him that Sir Selwyn Fremantle was proposed in the first instance in 1927 at the 35th session of the Governing Body by Sir Atul Chatterjee, who then represented the Government of India on the Governing Body, and under the circumstances, his contention that experts did not belong to any particular countries was not tenable. He admitted that he was wrong in the reply he gave in the Finance Committee. I pointed out that Sir Selwyn Fremantle retired in 1926, since when he has been staying in U. K., and cannot be said to be in touch with Indian conditions. The Director agreed, and further emphasised the fact that Sir Selwyn Fremantle was 70 years old. He suggested the question of making the appointment being deferred till the October session. I agreed to this proposal and requested him not to circulate my proposal for the appointment of Sir Jehangir Coyajee. Accordingly, in the Governming Body, the appointment on the 408 Committee for India, was deferred until the October sessions. Sir B. Mitra was not present at this session owing to ill-health, and Mr. Zaman who attended in his place, merely stated that he had no instructions from his Government, and would support postponement of the question.

I have to suggest to you to get in touch with the Indian Government on this question, with a view to the appointment of an Indian on this important committee. You will appreciate that while I consider Sir Jehangir Coyajee as a qualified expart we are in no way committed to him. As stated above, I merely put forward his name more from practical reasons with a view to prevent the re-election of Sir Selwyn Fremantle in the absence of a qualified Indian at the time. There is one condition which has been put forward and that is that every such expert must have practical experience in social legislation. In spite of it, however, I might mention that the Italian Government representative proposed at the last session, is a professor from a University, as are also most of the other experts previously appointed on the committee.

I trust you will succeed in finding a suitable expert in agreement with the Government of India.

I enclose herewith for your information, a copy of my remarks in the Governing Body meeting on the above question.

Copy of a communication dated 9th June, 1936, from Mr. D. S. Erulkar, to the President and Members of the Committee of the Federation.

"In continuation of my letter dated the 29th ultimo, I wish to point out that the Governing Body have, at my instance, recognised the principle of appointing experts on the 408 Committee who are nationals of various countries. On their accepting this principle, I withdrew the amendment which I had proposed to the resolution by the Japanese Government Member. Under these circumstances, you will be able to ensure, in consultation with the Government of India, the appointment of an Indian on the 408 Committee. The meetings are held once or twice a year, and the expenses are paid by the Organisation. It will be very useful to have an Indian on this important Committee and I trust your efforts to secure a suitable man for the purpose will succeed."

Copy of a D.O. letter No. F. 796, dated 16th June, 1936, addressed by the President, Mr. D. P. Khaitan, to Hon'ble Sir Frank Noyce, K.C.S.I., C.B.E., Member for Industries and Labour, Simla.

"Mr. D. S. Erulkar, London, who represents the Indian employers on the Governing Body of the International Labour Organisation, writes to say that the question of re-appointment of Sir Selwyn Fremantle as an expert to represent India on the 408 Committee came up for consideration at the April Session of the Governing Body. I understand that as a practice, experts of this Committee from various countries are all nationals of their respective countries except the expert from India. When this was pointed out to the Director, the question of re-appointing Sir Sewyn Fremantle was deferred to the October Session. Sir Bhupendra Nath Mitra was not present at the April Session, owing to ill-health, and Mr. Zaman, who attended in his place, merely stated to the Governing Body that he had no instructions from the Government of India. The question will, therefore, come up for consideration at the October Session of the Governing Body. As the person who would be selected to represent India on the Committee will be paid his travelling allowances, etc., from the Organisation, the question of making provision for these allowances in the Government of India's budget does not arise. I, therefore, suggest that the Government of India, in consultation with the Federation, would select a suitable Indian for being nominated as an expert from India in place of Sir Selwyn Fremantle. I trust you would agree to my suggestion. On hearing from you I will consult my colleagues and will let you know the name of a suitable Indian for being elected by the Governing Body for the post."

Copy of a circular letter No. F. 798, dated 17th June, 1936, from the Federation to Members of the Committee.

"I am directed to enclose for your information a copy* of a report submitted by Mr. D. S. Erulkar, Representative of the Indian Employers on the Governing Body of the International Labour Organisation, on the above question and of a D.O. letter addressed by the President to Sir Frank Noyce, Member for Industries and Labour to the Government of India."

Copy of a D.O. letter No. L1120, dated Simla, the 27th June, 1936, from the Hon'ble Sir Frank Noyce, Member for Industries and Labour, to the President, Mr. D. P. Khaitan.

"I have received your letter No. F. 796 of 16th June, 1936, regarding the appointment of Sir Selwyn Fremantle. As I understand the position, he does not act as a representative of India on that Committee and he is not responsible to a representative of the Government of India. The Member of the Committee are selected for their expert knowledge and do not serve in a representative capacity.

2. But I should add that, if our advice were officially sought, we could not agree to make a nomination in consultation with your Federation. For we could not accept its views in preference to those of other organizations representative of employers; still less could we agree to enter into consultation with employers and ignore the workers' associations. I regret, therefore, that I cannot accept your suggestion."

Copy of a letter No. F. 884, dated 30th June, 1936, from the Federation to Members of the Committee.

"In continuation of my circuar letter No. F. 798 of the 17th instant, I am directed to forward, for your information, a copy of the reply received from the Hon'ble the Member for Industries and Labour on the above subject."

Copy of D.O. No. F. 1214, dated the 7th September, 1936, from Mr. D. P. Khaitan to the Hon'ble Sir Frank Noyce, Member for Industries and Labour, Simla.

"With reference to your D.O. letter No. L. 1220 dated Simla, 27th June, 1936, I got the question further examined by the Federation office and from the records of the Governing Body available to it, I find that the position taken up by you may be technically correct, but it is not consonant with the actual way in which the Governing Body of the I. L. O. has adopted for such appointments. My contention, that all other countries when called upon to fill in places on the 408 Committee appoint their nationals, can be verified by a reference to the minutes of the past sessions of the Governing Body. It is true that Sir Selwyn Fremantle does not act as a Representative responsible to the Government of India, but he does represent this country in the sense that the name of this country "India" has been recorded in the minutes of the Governing Body against his name and that he was proposed by Sir Atul Chatterji, Representative of the Government of India on the Governing Body, in March, 1927. It will be further clear from the minutes of the 34th Session of the Governing Body (January, 1937) that various Governments or Employers' Members on the Governing Body proposed their respective nationals. Thus, the Polish Government proposed a Pole, Italian employers' Member proposed an Italian, Czek employers' Member proposed a Czek and the only unfortunate exception to this was the proposal made by the Government of India Representative on the Governing Body—Sir Atul Chatterji—proposing Sir Charles Ewert Low. Sir Charles Low resigned and in his place Sir Selwyn Fremantle was proposed and accepted in March, 1927.

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*Enclosure printed above.

You are, no doubt, aware that the idea of proposing a non-Indian to such a post will not be appreciated in the country.

According to the procedure followed in respect of these appointments by the Governing Body, it is open to any Member of the Governing Body belonging to any of the three groups to propose a name and the privilege is not restricted to the Government of any country alone. The main object in writing to you was that a name of a suitable Indian should be proposed in the Governing Body for the post to be vacated by Sir Selwyn Fremantle and I would not grudge your consulting the labour interests on the matter.

The principle that a person to be appointed on the 408 Committee should be a national of the country which he represents is now accepted by the Governing Body at the last April session and I would request a reference to these proceedings. In the various notes submitted by the Director for the use of the Members of the Governing Body, I have also found a recognition of this principle and I am sure you would act up to the spirit underlying the appointment on this Committee and would see your way to advise your Representative on the Governing Body to propose the name of a suitable Indian to fill in the post that would now be vacated by Sir Selwyn Fremantle."

Copy of a letter No. F. 1217 dated 8th September, 1936, from the Federation to Members of the Committee.

"In further continuation of my circular letter No. F. 884 dated the 30th June, 1936, I am directed to forward below, for your information, a copy* of the President's reply to the Hon'ble Sir Frank Noyce, Member for Industries and Labour, on the above subject."

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*Enclosure printed above.

Copy of a letter No. 1489 dated 12th November, 1936, from the Federation to Government of India, Department of Industries and Labour.

"I am directed by the President to request you to invite the attention of the Hon'ble Member for Industries and Labour to a D.O. letter No. F. 1214 dated 7th September, 1936, addressed by the President, Mr. D. P. Khaitan. The President will be glad to know of the action the Hon'ble Member has taken in the matter." ...

Copy of a letter No. L. 1120 dated 27th November, 1936, from the Government of India, Department of Industries and Labour to the Federation.

"I am directed to acknowledge the receipt of your letter No. F. 1489, dated the 12th November, 1936, on the subject mentioned above, and to say that a further communication will be addressed to you later."

Copy of a letter No. L. 1120, dated New Delhi, the 6th January, 1937, from the Government of India, Department of Industries and Labour, to the Federation.

"In continuation of this Department's letter No. L. 1120, dated the 27th November, 1936, on the subject mentioned above, I am directed to inform you that the Government of India understand that the Governing Body of the International Labour Office has asked Sir Atul Chatterjee to serve on the 408 Committee, vice Sir Selwyn Fremantle."

Copy of a letter No. F. 108, dated 13th January, 1937, from the Federation to Members of the Committee.

"In continuation of my circular letter No. F. 1217, dated the 8th September, 1936, I am directed to reproduce below, for your information, a copy of a letter received from the Government of India, Department of Industries and Labour, on the above subject."

Copy of a letter No. F. 114, dated 14th January, 1937, from the Federation to all Member-bodies.

"The 408 Committee is one of the several Committees attached to the International Labour Organisation and is entrusted with the work of examining the Annual Reports submitted by State Members on the measures they have taken to give effect to the provisions of conventions to which they are parties. All the experts on this Committee are, as a practice, nationals of certain countries with the single exception of India. Sir Selwyn Fremantle was first proposed to the Committee in 1927 and continued to be a Member since then. When the question of re-election of an expert from India came up at the April, 1936, Session of the Governing Body, the Director of the I. L. O. suggested the re-appointment of Sir Selwyn Fremantle. Mr. Erulkar raised the question that the expert on this Committee from India should be an Indian. In view of this, the question of re-appointing Sir Selwyn Fremantle was deferred by the Governing Body to its October Session. The matter was taken up by the President with the Hon'ble Sir Frank Noyce, Member for Industries and Labour to the Government of India, with a view to their agreeing to recommend an Indian to succeed in the vacancy caused on the expiry of the term of office held by Sir Selwyn Fremantle on the Committee.

The Hon'ble Member for Industries and Labour, in his reply to the President, stated that the person selected as an expert from India did not act as a representative of India on that Committee and as such, was not responsible to a representative of the Government of India, and that the Members on the Committee were selected for their expert knowledge and did not serve in a represntative capacity.

In a further communication to the Hon'ble the Member for Industries and Labour, it was pointed out by the President that all other countries except India, when called upon to fill in places on the 408 Committee, appointed their nationals and that the Governing Body of the I. L. O., at the instance of Mr. Erulkar, at its April, 1936, Session, recognised the principle of appointing experts on the 408 Committee who were nationals of various countries.

According to the procedure followed in respect of these appointments by the Governing Body, it is open to any Member of the Governing Body belonging to any of the three Groups (Government, Employers or Labour) to propose a name for election to the Committee and the privilege is not restricted to the Government of any country alone. It was, therefore, suggested to the Hon'ble Member that if the representative of the Government of India on the Governing Body would propose the election of an Indian to the Committee, such an act would be much appreciated in the country.

As a result of these representations to the Government of India, it is a matter of gratification to find that they seem to have accepted the principle that a person representing India on the 408 Committee should be an Indian, as from the advices received from the Government of India and Mr. D. S. Erulkar, Sir Atul Chatterji was elected in place of Sir Selwyn Fremantle to represent India on the Committee of Experts of the 408 Committee.

Copy of a Press Note dated 19th January, 1937, issued by the Federation office.

"The 408 Committee is an important Committee attached to the International Labour Organisation and is entrusted with the work of examining the annual reports submitted by the State Members on the measures they have taken to give effect to the provisions of the conventions to which they are parties. All the experts on this Committee are, as a practice, nationals of the various countries with the single exception of India. Since 1927, Sir Selwyn Fremantle was appointed to this Committee and continued to be a Member since then. When the question of re-election of an expert from India came up at the April, 1936, session of the Governing Body, Mr. D. S. Erlukar, nominee of the Federation representing Indian employers on the Governing Body, raised the question that the expert on this Committee from India should be an Indian. The question was then deferred to the October, 1936, session of the Governing Body. In the meantime, the matter was taken up by the President of the Federation with the Government of India, with a view to their agreeing to instruct their representatives on the Governing Body to recommend the name of a suitable Indian to succeed in the vacancy caused on the expiry of the term of office held by Sir Selwyn Fremantle on the 408 Committee.

In the course of the correspondence, it was pointed out to the Government of India that all other countries except India appointed their nationals and that the Governing Body of the International Labour Organisation, at the instance of Mr. Erulkar, recognised the principle of appointing experts on the 408 Committee who were nationals of various countries.

As a result of these representations to the Government of India, it is a matter of gratification to find that at the 77th Session of the Governing Body held in Geneva in November, 1936, Sir Atul Chatterji was appointed in place of Sir Selwyn Fremantle on the 408 Committee and his appointment on the Committee has brought about the recognition of the principle of nationality which was denied to India all these years in connection with the appointment of its representative on the Committee."

TRADE WITH AFGHANISTAN.

Copy of a letter No. 785, dated 13th June, 1936, from the Federation to Government of India, Commerce Department.

"I am directed by the Committee to invite the attention of the Government of India to the trade agreement signed in Kabul on 15th May, 1936, between the Afghan National Bank and the Soviet Trade Agency. The Committee understand that under the agreement there would be an exchange of goods based on barter to the value of 15 lakhs of gold dollars between the two countries. Several of the commodities, particularly, manufactured ones, which Russia will be exporting to Afghanistan, are such as India is in a position to supply if an appropriate trade agreement is entered into between Afghanistan and India. The Committee in this respect would like to recall the appointment of a Trade Delegation by the Government of India that visited Afghanistan towards the beginning of April, 1934, "with the object of examining, in consultation with informed opinion in Afghanistan, the direction in which it may be possible to foster and expand mutual trade between India and that country." The Government of India, the Committee regret to remark, took one year to publish the Report of the Delegation and instead of exploring possibilities of fostering mutual trade between the two countries, it seems to the Committee that no further action was taken by Government beyond publishing the Report. The Delegation themselves recorded a finding that in spite of the policy of the Government of Afghanistan in prohibiting imports of luxury goods and introducing monopoly system in its import trade, "there still remain by no means inconsiderable opportunities for the promotion of Indian trade in other directions." The Committee quite realise that there were difficulties in the development of greater trade owing to an unfavourable trade balance against Afghanistan, but it was expected of the Government of India to investigate possibilities of eliminating such difficulties and paving way for greater expansion of India's export trade to a privileged neighbouring market owing to its being across India's frontier. The suggestion of the Trade Delegation to arrange for correct compilation of statistics was also not accepted by the Government of India on the ground of financial stringency. The appointment of a Trade Commissioner in Afghanistan would have kept the Government of India in day-to-day touch with the trend of the economic policy followed by the Government of Afghanistan. The Committee apprehend that if early steps are not taken by the Government of India to examine India's trade with her neighbouring countries which, by their natural situation, constitute privileged markets for the products of India's industries, other industrialised countries are sure to take advantage by entering into bilateral trade agreements on barter system with these neighbouring countries. In fact, the Committee would like to point out that a similar phenomenon repeated itself in India's trade relations with Iran and Russia has already entered into a bilateral trade agreement with the Government of Iran for the exchange of certain manufactured articles against the supply of raw materials from Iran. The Committee, therefore, submit that it is high time for the Government of India to examine the whole question with a view to develop India's export trade with foreign countries. The Committee would like to know at an early date the intentions of the Government of India in this regard."

Copy of the above letter No. F. 785 was circulated to Member-bodies and Members of the Committee under endorsement No. F. 786 dated 13th June, 1936.

Copy of a letter No.. 861 dated 25th June, 1936, from the Federation to the Secretary to the Government of India, Commerce Department, Simla.

"In continuation of the correspondence ending with this office letter No. F. 785, dated Calcutta, 13th June, 1936, I am directed by the Committee to request you to kindly make available for their use a copy of the Report submitted to Government by the Trade Delegation that visited Afghanistan in April, 1934 and summary of which was issued to the Press by Government for the information of the public. An early compliance will be much appreciated."

Copy of a letter No. 2045-C, dated 29th July 1936, from the Government of India, Commerce Department, to the Federation.

"In reply to your letter No. F. 861, dated the 25th June, 1936, on the above subject, I am directed to say that the Government of India regret that they are unable to comply with the Federation's request, as the Report of the Trade Delegation to Afghanistan is a confidential document and has not been made public."

BILL TO AMEND THE INDIAN MOTOR VEHICLES ACT, 1914.

Copy of a circular No. F. 1129, dated 26th August, 1936, from the Federation to Member-bodies and Members of the Committee.

"The Government of India have published in the Gazette dated 22nd August, 1936, a Bill to amend the Indian Motor Vehicles Act, 1914. The Bill will be taken into consideration by the Legislative Assembly during its September session at Simla. I am enclosing a copy of the Bill so that the Member-bodies and Members of the Committee may consider the question and forward to this office their views thereon. It is proposed to send to you a tentative draft of the views at an early date.

It will be remembered that this Bill has been taken up by the Government of India at the instance of the Railways and not because there has been any public demand for it. In fact, the public feel that motor buses and lorries are of great advantage in the following among other respects:—

(i) Motor buses leave the place of starting and arrive at the destination at hours which just suit the convenience of the public.

(ii) The Motor buses pick up passengers and drop them at convenient places in the town without their having to suffer the inconvenience of the lead to and from the railway station.

(iii) Passengers are saved the inconvenience of smoke.

(iv) The bus fares are often cheaper than the railway fares.

(v) Motor lorries pick up and deliver goods from and at godowns, which saves the expense of transit to and from the railway goods sheds, the maintenance of a railway staff, the perquisites to be given to the railway officials, the insults offered by the railway officials and similar other expenses, inconveniences and humiliations.

(vi) Service by motor lorries is regular and quick and is often cheaper than the railways.

(vii) But for the competition of motor buses and motor lorries, the railway fares and freights would have been higher than what they are.

(viii) In fact, although on commercial grounds, the railway authorities are often approached to reduce the fares and freights to reasonable figures, they invariably do not listen unless and until motor competition or water competition actually exists.

It is a notorious fact that the railways are not worked efficiently.

They want to take things easy instead of adopting the habit of the merchants to work hard and efficiently and to keep their ears and eyes open and to adapt themselves to the needs of the public and to the changing times. Instead of taking steps in these directions, the railway authorities have raised the bogey of motor competition and have sought to induce the Central and the Provincial Governments to drive out motor competition.

To achieve this object, the railway authorities have taken resort to catch-phrases such as, co-ordination of rail and road, public safety and convenience, etc. The real intention is to drive out motor competition to perpetuate the inefficiency of the railways so that luxurious management may be continued and so that by driving out motor transport competition, fares and freights can be kept at a higher level, the railways thereby showing profits and it becoming easy for the Statutory Railway Authority to be brought into existence. It seems to be very necessary for the public to do their utmost to prevent such an injurious scheme from taking effect.

Another bogey, what may be called the usual trick, that has been and is being adopted, is to frighten the provinces into the belief that unless motor competition ceases to exist, the railway finances cannot be put in order and until that time, the provinces cannot get from the Central Government their share of the income-tax.

Both the Central and the Provincial Governments have the duty cast on them to see that the public are properly and efficiently served. This should be the common object of the Central and the Provincial Governments. No argument is necessary to show that India needs cheap transport of passenger and goods. This is the proper time to make the railway authorities responsible to increase their efficiency in every respect, so that while freights and fares be brought at a reasonable, and not to a high, level, the railways, by reason of efficiency be still able to make proper contribution to general revenues. By this means, the public would get the benefit of an efficient, and in every way useful, railway system and at the same time it will become possible for the Central Government to allow the provinces their share of the income-tax.

If, however, the present opportunity of putting pressure on the railway authorities is allowed to slip away by yielding to them and driving out motor competition, the occasion for improving the efficiency of the railways will disappear into the distant future.

It should be further remembered that the motor transport has to bear heavy customs duties in the payment of annas ten per gallon of petrol, provincial vehicles tax, licence fees, and is not in such a favourable position as the Government want the public to believe.

I trust your Committee would give their serious consideration to the proposed Bill, as it will materially affect the motor transport, particularly in the mofussil."

Copy of a telegram dated 27th August, 1936, from the Federation to Government, Department of Industries and Labour.

"Reference publication Indian Motor Vehicles Act Amending Bill request Government supply Federation office statistics relating increase in Central Provincial and Local Taxation on motor vehicles since 1929-30."

Copy of letter No. 1131, dated 27th August, 1936, from the Federation to the Government of India, Department of Industries and Labour, Simla,

I am directed to invite the attention of the Government of India to the publication of a Bill to amend the Indian Motor Vehicles Act, 1914, in the Government of India Gazette, dated 22nd August, 1936, and to state that it is essential to have certain statistics relating to taxes—Central, Provincial and Local—at present in operation in various provinces on motor vehicles since 1929-30 with a view to enable commercial bodies to submit considered opinion on the Bill for the use of the Central Legislature. Information given regarding these taxes in the report submitted by Messrs. K. G. Mitchell and L. H. Kirkness in 1933 refers to the period ending 1929-30 and as such, does not convey a correct idea of the taxes which the motor vehicles in India have to pay in various provinces since 1929-30. I have, therefore, wired you to-day, as per copy enclosed, which I hereby confirm. I trust it would be possible for the Government of India to supply this information to the Committee of the Federation with a view to enable them to submit considered opinion on the Bill."

Copy of a letter No. F. 1132, dated 27th August, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to forward below, for your information, a copy of a telegram addressed to the Government of India, Department of Industries and Labour, and also a letter confirming that telegram, on the above subject."

Copy of a letter dated 29th August, 1936, from the President to some Indian leaders of the Assembly.

"I write to draw your particular attention to the Bill to amend the Indian Motor Vehicle Act. I find from a Press report that the Government want to rush it through the Assembly by at once getting a Select Committee appointed which should report to the Assembly on or before 11th September, 1936.

I can quite understand the Government's keen desire to rush the measure in this manner. This Bill, though clothed in an attractive and misleading garb, is put forward really at the instance of the railway authorities. I need hardly try to explain to you at any length how inefficient railway management is. The authorities are accustomed to take things easy. They have all along flouted public opinion. They have not taken steps either to improve efficiency or to curb corruption. They wish to continue the same kind of luxurious ways as they have been accustomed to in the past.

Feeling, however, that the railway finances must show an improvement, they have discovered that if they can throttle motor competition, they can increase freights and fares and enjoy a monopoly as they did in the past. They hope to attract public support by putting forward catch-phrases like co-ordination of rail and road, public safety, etc. The Government of India, in their eagerness to establish the Statutory Railway Authority, are extending their support to this demand of the railway authorities.

I have no doubt that you have yourself seen through this game and will not allow the Government to lay this trap on the public. If I may venture to make a suggestion to you, it would be that the Bill should be thrown out instead of being referred to a Select Committee. If the Assembly does so, the railway authorities will be forced to believe that public opinion will not permit the continuance of their inefficiency and they will feel forced to put their own house in order. This moment appears to be a psychological one for a big object to be achieved. If the railway authorities are allowed to throttle motor competition, I feel confident that they will not in any near future take proper steps to improve efficiency. If it be thought that there is need for the regulation of motor traffic, the matter should be taken up after you feel sure that the railway authorities have set themselves to their proper task.

In case you think that the Bill should not be thrown out at this stage but that further time is required to consider the matter, I venture to suggest that the least that may be done is to circulate the Bill for public opinion."

Copy of a circular letter No. F. 1155, dated 29th August, 1936, from the Federation to the Members of the Committee.

"I find from the Press report that the Government want to rush the Bill through the Assembly by at once getting the Select Committee appointed which should report to the Assembly on or before the 11th of September next. As there is race against time and as there is no other alternative the President has addressed a D.O. letter to some of the Indian leaders in the Assembly on this question a copy of which I am enclosing herewith for your information."

Copy of a letter dated 3rd September, 1936, from Mr. D. P. Khaitan, President, to some important Members of the Legislative Assembly.

"I find from Press reports that the Bill to amend the Indian Motor Vehicle Act has not yet come before the Assembly for consideration. I enclose herewith an advance* copy of the opinion that has been drafted for submission to the Government on behalf of the Committee of the Federation of Indian Chambers of Commerce and Industry. I am doing so as the views expressed in the enclosed draft may be of use to you when the matter comes up for discussion in the Assembly."

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*Not printed.

Copy of a circular letter No. F. 1209, dated 5th September, 1936, from the Federation to Member-bodies and Members of the Committee.

"As the Bill to amend the Motor Vehicles Act, 1914, as introduced in the Legislative Assembly, will now be circulated for public opinion, I am directed to forward under separate cover a copy* of a letter to be addressed to the Government of India embodying the views of the Committee of the Federation on the amending Bill. The Member-bodies and Members of the Committee are requested to communicate to this office any suggestions which they desire to make in connection with the said draft. These suggestions should reach this office not later than Monday, the 5th October, 1936."

Copy of a letter No. C. 60, dated 29th October, 1936, from Government, Department of Industries and Labour to the Federation.

"With reference to your letter dated 27th August, 1936, I am directed to say that Provincial and Local Taxation has changed considerably since Messrs. Mitchell and Kirkness wrote their report. Up-to-date figures are not available but are being obtained and will be supplied to you as soon as received."

Copy of a letter No. F. 1486, dated 14th November, 1936, from the Federation to Members of the Committee.

"I am directed to invite your attention to my previous circular letter No. F. 1209, dated the 5th September, 1936, wherewith was forwarded a printed copy of a draft of a letter to be addressed to the Government of India embodying the views of the Committee of the Federation on the amending Bill. It is further suggested that an additional paragraph be inserted after paragraph 6 of the said draft as per copy enclosed*. The draft along with the addition will be taken into consideration by the Committee at their next meeting on 2nd December, 1936."

Copy of a letter No. F. 1170, dated 2nd December, 1936, from the Federation to the Government of India,, Department of Industries and Labour.

"I am directed by the Committee of the Federation of Indian Chambers of Commerce and Industry to forward hereunder their considered opinion on the Bill introduced in the Legislative Assembly to amend the Indian Motor Vehicles Act, 1914, and circulated for public opinion.

2. According to the statement of objects and reasons given by the Hon'ble Member for Industries and Labour in introducing the Bill, it represents the final recommendations of the Transport Advisory Council, which, the Committee understand, is an entirely official body and as such, it is not ased on any demand made by the Indian commercial, industrial and agricultural communities that are really interested in the problem. Far from making any demand, the communities have for some time past been expressing their strong opposition to the passing of any legislation of the kind contemplated.

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*Not printed.

3. The circumstances, however, in which the Bill is sought to be enacted, are now too well-known to the public. The real reason for bringing in the Bill has been the failure of the railway authorities to put their house in order. The railway authorities have taken shelter behind the plea that their traffic is diverted to motor buses and lorries. The Provincial Governments, which have been insisting on a share in the income-tax, are told that in the absence of a contribution to the general revenues of the Central Government from the railways, the Provinces cannot expect to get such a share. The Provincial Governments, finding that they have no control over the management of the railways, are induced to think that discretion on their part lies in yielding to the demand of the railway authorities that motor competition should be curbed.

4. The real interests of the public over-ride such management of affairs between the Central and the Provincial Governments. It would no doubt be contended that the Bill is only an enabling one and the Provincial Governments would not act thereunder if they find that public interests are adversely affected. But the reasons stated above remove the confidence of the public from the Provincial Governments with regard to this matter. The Provincial Governments would be more keen to look after their budgetary position than after the real needs and comforts of the public when they conflict with each other.

5. Even in anticipation of the Bill being passed, the railway authorities in May last issued a list of 282 articles and again at the end of June last issued a further list of about 100 articles for enhancement of their classification, the effect of which would be substantial increase in the railway freights thereon.

6. The Committee feel that the Bill is a very drastic piece of legislation in so far as it purports to control the whole system of motor transport including private lorries in a country of vast distances like India with agriculture as its main occupation, with industries just developing and with close connection between agriculture and industries still to be established on a sound footing to the mutual benefit of both. The Bill, if enacted into law, is sure to have very far-reaching repercussions on quick, regular and cheap transport of raw materials from fields to places of manufacture, and from manufacturing centres to places of consumption. Such repercussions will also extend to carriage of passengers.

7. It must be further remembered that road transport in India has not so highly developed as in western countries as to constitute a very serious competitor to railways considering the vast extent of the country. Even according to the Transport Advisory Council, the total number of public service vehicles including buses and lorries approximately amounts to 36,000 compared to half a million buses and lorries running on the road of the United Kingdom and concentrated in an insignificantly small area compared to India. The goods traffic carried by motor lorries, even though snatched from them for the benefit of railways, may not be any compensation to the Railways at all compared to the hardships to which the general public and the trade in the country will be put in the absence of the motor transport facilities and the time has not yet come when the railway transport will be menaced by motor transport competition.

8. In 1932, the Government of India appointed Mr. K. G. Mitchell, Road Engineer with the Government of India and Mr. L. H. Kirkness, Officer on Special Duty with the Railway Board, to report on the then state of road and railway competition and the possibilities of their future co-ordination. The report which they submitted to Government discloses a number of interesting facts relating to railway and motor systems of transport in the country. It should be remembered that construction of roads preceded that of the railways and it was the Government who, without any consideration for the road traffic, built railways parallel to the then existing roads and consequently the railways snatched away much of the road traffic in old days. The railways are thus out of court in seeking protection at the hands of the Central Legislature against motor competition with a view to divert to themselves a substantial portion of the traffic now carried by motor vehicles.

9. The motor transport has proved to be a more efficient and economical mode of transport particularly in the mofussil and it provides greater facilities than the railways. The following may be mentioned as being some of the reasons why motor transport should be left undisturbed at the present moment:—

(i) Motor buses leave the place of starting and arrive at the destination at hours which just suit the convenience of the public.

(ii) The motor buses pick up passengers and drop them at convenient places in the town without their having to suffer the inconvenience of the lead to and from the railway station.

(iii) Passengers are saved the inconvenience of smoke.

(iv) The bus fares are often cheaper than the railway fares.

(v) Motor lorries pick up and deliver goods from and at godowns, which saves the expense of transit to and from the railway goods sheds, the maintenance of a railway staff, the perquisites to be given to the railway officials, the insults offered by the railway officials and similar other expenses, inconveniences and humiliations.

(vi) Service by motor lorries is regular and quick and is often cheaper than the railways.

(vii) But for the competition of motor buses and motor lorries, the railway fares and freights would have been higher than what they are.

(viii) In fact, although on commercial grounds, the railway authorities are often approached to reduce the fares and freight to reasonable figures they invariably do not listen unless and until motor competition or water competition actually exists.

The folowing remarks are to be found at pages 89-90 of the above-mentioned report as giving indications of what the railways should really do instead of seeking to check motor competition:—

(a) That railways should follow more closely the policy adopted by all successful business organisations throughout the world, viz., study their clients' requirements in whatever form, and provide means whereby close personal contact is maintained at all times.

(b) As railways have to all intents and purposes had a monopoly of rapid transport in the country, they have been inclined to expect their customers to come to them while it would appear to have seldom occurred to them that customers should be nursed and humoured in just the same way as customers for any other enterprise.

(c) No better example can be quoted of the wide gap which exists between the railway methods and those of business houses than the vexed question of dealing with complaints.

(d) Railway methods of handling complaints would incapacitate any business organization. Their failure to handle complaints expeditiously and treat each case on its merits has caused considerable dissatisfaction which in countries where roads are highly developed has resulted in loss of traffic which is going elsewhere.

(e) Business organizations, on the contrary, do their utmost to deal with complaints with despatch, realising that the public custom must be obtained if they are to function successfully in the face of modern competition.

(f) Where complaints have been handled expeditiously, business houses have found that liabilities have been turned into assets.

(g) The railway authorities should educate every individual employee to realise he has a definite function to perform in working for the goodwill of the public and increasing railway service at the same time.

(h) By such means can the railway organization become the live selling force it should be, and only in this manner can it be made capable of holding its own against competition without receiving undue preference or by being bolstered up at every turn.

10. It cannot be ignored that motor transport is instrumental in stimulating improvement in the railway services. The elimination of a

parallel and competitive transport system would leave the entire field as a monopoly to the railways and the Committee fear that once the motor transport system is deteriously affected, the railway administration will continue to flout public opinion and will not take steps to improve their efficiency, but would continue to carry on their administration in the same luxurious and indifferent manner as they have been accustomed to in the past. A foretaste of what will happen has already been given to the public as stated in paragraph 5 of this letter.

11. Dealing with the areas served by light railways, the Mitchell-Kirkness Report has pointed out that it is not possible to speed up the train service to replace the quick transport now afforded to to the public by motor buses and lorries owing to low formation, insufficient ballast, inadequate signalling and the low speed existing engines. The result would be that the public which are at present accustomed to speedy and eonomic transport facilities will be forced to all back upon whatever services the light railways may offer to them. The report further says that "it is very doubtful whether, even were such work undertaken, a single line railway, especially a light railway would be in a position to give a service as adequate and convenient as the competitive buses."

12. According to the Report, there re 27,186 miles of railways in India, while the motorable roads are 75,123 miles in length. Of these, 13,227 miles of metalled roads and railways are parallel and within 10 miles' area. If motor transport be crippled on the parallel roads, there is no doubt that at present the motor service on other roads will also be considerably affected in an adverse manner. Traffic has tended to follow the direction of the railways. It is natural that motor transport get the largest amount of traffic along parallel roads. It is this factor that makes motor competition a corrective to railway management. If motor transport be made prohibitive, on account of restrictions, on the parallel roads, the chief incentive to the railways of improving their administration will disappear and at the same time the chief incentive for establishment and expansion of motor traffic will cease to exist.

13. The Commerce Member of the Government of India, in presenting the last railway budget in the Assembly, estimated that the railways have been losing on passenger and goods traffic to the extent of Rs. 3 crores per annum, while the Mitchell-Kirkness Report put down this loss to about 2 crores in 1933. The whole underlying idea of the amending Bill seems to the Committee to be to create a monopoly of transport service for the railways at the cost of another convenient, highly popular and economic transport service. The motor vehicle provides a new and convenient form of transport which cannot be denied to a locality merely because the railways want the monopoly of service in that area, and it would be contrary to public policy to deprive the public of such a service which is, in frequency and convenience, superior to any thing which the railways can offer or hope to offer. On the other hand, healthy competition between railway and motor would stimulate the former to meet the needs of the public better.

14. Whichever figure be correct, namely Rs. 2 crores or 3 crores, it constitutes at the most 2 to 3 per cent. of the railway budget. When

the figures relating to feeder roads are excluded, the percentage becomes even less. If the railway authorities would only improve their efficiency in every direction, there is no reason why the position of the budget should not improve to a much higher percentage figure partly by reducing expenditure and partly by increasing their income. The contention of the railway authorities that they cannot work the railways profitably because of the road competition does not carry conviction. There have been genuine complaints that the railways are not adapting themselves to existing conditions. There is a feeling in the country that the railways do not deal with their problems in the same spirit as a manufacturer or a trader and do not make genuine efforts to increase their efficiency but only desire to make up the losses in their working by imposing severe restrictions on motor transport with the sole object of snatching away the traffic from the motor transport for purposes of increasing their revenues. It would be unfair for the Central Legislature to be a party to a policy of continued inaction on the part of the railways in respect of adjusting their administration to changing conditions. The present opportunity is of great psychological importance and if the Government and the Legislature refuse to enact the Ball, the railways authorities will have no other alternative than to adopt the right course of putting their own house in order. It is only after that is done that the question of regulating motor traffic should be considered.

15. One of the arguments used by the railways in justification of the present Bill is that while they have to maintain at heavy cost the railway track, the motor transport utilizes the roads towards the maintenance of which they scarcely contribute. Such an argument is fallacious. According to the Mitchell-Kirkness Report, the figures of 1929-30 indicate that the motor buses contributed, by way of central, provincial and local taxes, a sum of Rs. 262 lakhs; whereas the increase in the road maintenance bill since 1925-26 (during which period public motor transport system developed) amounted to only Rs. 55 lakhs and even then it cannot be argued that the whole of the Rs. 55 lakhs can be attributed to the public motor transport alone. During the year 1930-31, the cost of maintaining the railway track and bridges of railways in India was estimated at 9.42 crores of rupees. As the public motor transport represents only 2 or 3 per cent. of the railway earnings the tax of Rs. 262 lakhs is out of all proportion to the track maintenance cost of the railways. It should also be borne in mind that since 1929-30 the taxes on the motor transport have increased whereas the railway track maintenance cost should have decreased on account of the fall in wages and prices in goods.

16. The various clauses in the amending Bill confer too wide powers on the local Government which may, in its discretion, lay down such restrictive rules as would have the effect of making motor transport prohibitive.

Clause (*b*) 2

The definition of the term "motor transport vehicle" seeks to include private motor lorries used for the carriage of goods by the addition of the words "or otherwise". If also seeks to include private motor buses having seating capacity for more than 7 persons. It will be noticed in the proposed section 10B that such restrictions can be placed upon the use of private motor vehicles as to make it impossible for them to run. There can be absolutely no justification for any restriction being placed on private lorries and buses, whether owned or exclusively chartered, apart from those that are generally needed in respect of private motor cars. If in spite of the arguments used above, the principles of the Bill be accepted in respect of the public vehicles, the definition of the expression "transport motor vehicle" should be restricted to public lorries and buses. This can be achieved by deleting all the words after the word "reward" where it occurs the second time in the definition and by the addition of words " as public carriers' after the words "goods" in both places.

Clause 3. *Proposed Section* 10 *A.*

If it be considered that powers should be given to the local Government to constitute transport authorities, their jurisdiction should be confined to public motor vehicles. Private motor vehicles should be expressly stated to be outside their jurisdiction.

Sec. 10 *B sub-sec.* (*a*)

Under Section 10B, sub-section (a) a transport authority will derive power to limit the number of transport motor vehicles for a specified area or a specified route. By limiting the number, it may not be possible for the public to have the advantage of competition amongst motor vehicles themselves.

Sec. 10 *B sub-sec.* (*b*)

Under sub-section (b), certain areas and certain routes served by the railways may be closed entirely to motor traffic by the transport authority by not issuing any road service permits to motor vehicles.

Sub-sec. C (*i*)

Under sub-section C(i), power is given to transport authority to fix charges for the carriage of passengers or goods. The Committee apprehend that the result of such power would be that the transport authority will, under instructions from higher authorities, fix the charges at a level higher than the railway fares and freights for similar distances, thereby denying to the motor transport the custom which would otherwise go to it. If the owners of motor vehicles find that they can offer services to the public at rates cheaper than what the transport authority would like to fix them at, the public should be allowed to get the benefit thereof.

Sub-sec. C (*ii*)

This sub-section ignores entirely the factor that works in favour of motor transport service. At a number of places, railway service is available once in 24 hours and the public has to depend upon motor transport service for the carriage of passengers and goods at all reasonable and convenient hours of the day. The operation of this sub-section would create unnecessary inconveniences to the public. For obvious reasons, private and chartered motor vehicles should, in any event, be excluded from the the operation of this sub-clause.

The Committee fail to understand the utility of forcing small motor transport service to publish their time-tables and fare-tables. Such tables, even though published, would scarcely be utilised by the public owing to the prevalance of illiteracy amongst them. It must be remembered that in the mofussil, the motor transport service tries to adjust itself to the requirements of the public and no hard and fast rule as regards the departure or arrival of a motor vehicle would create convenience either for the transport service or its customers. In the cities such tables are absolutely unnecessary. *Sub-sec.* c *(iii)*

By Clause 4, sub-section A, it is sought to give powers to the Local Government to prescribe the maximum laden weight of any vehicle, public or private. This provision is obviously introduced at the instance of railway authorities who contend that lorries compete with them because they carry more goods than the rated capacity. There is no reasonableness in such a contention. The rated capacity is much lower than what the lorry can safely carry. It is a well-known fact that engines, turbines and other machines in factories often work much more than their rated capacities. The people who work them learn from experience about the capacity which they can safely work at. Similarly, owners and drivers of motor lorries know from actual experience about the quantity of goods which the vehicles can safely carry. No danger to public safety or any inconvenience to the public has been experienced and there is no demand for any such restriction. **Clause 4*A***

It may be repeated here that in any event private and chartered vehicles should be excluded from the purview of this clause.

Section C. By sub-section (ff), the Bill empowers the authorities to establish authorised stations for the regular taking up or setting down of passengers and good and for prohibiting the use of any other place for that purpose. The whole sub-section would strike at the root of the motor transport service facilities. It must be admitted that the great advantage which the public derive in preferring motor transport to railway is that the motor vehicle is in a position to take up and put down passengers practically at their destinations and this fixibility of movement acts as an advantage in favour of the motor transport service. In the case of the carriage of goods, the trader saves all the carting and haulage charges to which he is subjected if he resorts to railway service for the carriage of his goods, as a motor vehicle is loaded and unloaded at destinations required by the customers. **Clause 4.** *Sec. c (ff)*

Sub-section (gg). Many drivers and conductors are not educated and cannot keep records. They will be thrown out of employment. **Clause 4** *(d)*

It is not intelligible how limitation of hours of work can be enforced or can be reasonable. Specially when lorries go long distances, there are two drivers, of whom one drives the lorry and the other takes rest or sleeps on the lorry itself.

Clause 4 (*f*) Sub-section (hh) subjects the owners of motor vehicles to effect policies of insurance against a third-party risk. The Committee cannot understand why the railways that are insisting upon creating equal opportunities of competition are themselves immune from the responsibility of effecting such policies of insurance against third-party risks. The Committee further object to the specifying of the companies with which such policies are to be effected. Such a clause can only be justified if it is qualified by laying down that the insurance shall be effected only with such companies as are incorporated in India with a rupee capital and was a majority of Indians as Directors. They are opposed to the whole sub-section on principle.

17. While the Committee are agreeable to any reasonable legislation that would tend to develop transport services in this country and to afford greater convenience, cheap transport facilities to the public, they are opposed to any legislation based on the principle of curbing one service for the sake of bolstering up the finances of another. The motor transport service operating in the country is an individual enterprise worked by people of lower middle classes and as such not backed by large resources, while the railways are financed by the State and it is expected of them to offer to the country most efficient and cheap transport service, and as long as the public are not satisfied that they are administering the services efficiently, the Central Legislature, it is hoped, will not put greater powers in the hands of the executive."

REPORT OF THE INDIAN EMPLOYERS' DELEGATION ON THE WORK DONE AT THE 20TH SESSION OF THE INTERNATIONAL LABOUR CONFERENCE, 1936.

Copy of a letter No. F. 1134 dated 28th August, 1936, from the Federation to Sir Hormusji M. Mehta, Kt., Bombay.

"In accordance with the usual practice, I am directed to request you to be good enough to submit a report of the work done at the Employers' Delegation at the above Conference. As the Committee of the Federation is expected to meet during October, next I trust it will be possible for you to send me a report duly signed by yourself and your Adviser by the end of September next."

Copy of a letter No. F. 1135, dated 88th August, 1936, from the Federation to Lieut. Sardar, P.S.. Sodhbans.

"In accordance with the usual practice, I am directed to request you to be good enough to submit a report of the work done by the Employers' Delegation at the above Conference. As the Committee of the Federation is expected to meet during October next, I trust it will be possible for you and the Delegate to send the report signed by both of you."

Copy of a letter No. 46-B/174 dated 26th September, 1936, from Lieut. P. S. Sodhbans to Federation.

"I beg to submit a Report of the work done by the Indian Employers' Delegation to the 20th Session of the International Labour Conference held at Geneva in June last. I hope you will find the Report little exhaustive as I have tried to give in brief some account of work done in the Committee.

The agenda of this year's Conference was pretty heavy and consequently the strain on our nerves was too much and in fact I was in bed for about a week in London immediately after the session.

Both members of the Delegation did their duty in a most practicable manner and thus they won the approbation of their colleagues from other countries and I trust the Report will also receive the commendation of your Committee."

Copy of a letter No. 46-B/180 dated 4th October, 1936, from Lieut. P. S. Sodhbans, to the Federation.

"In continuation of my letter No. 46-B/174, dated 26th ultimo, I beg to send herewith another copy of my report on the work done by the Indian Employers' Delegation to the 20th Session of the I.L.O. Conference, as I find some typing mistakes in the previous copy already sent to you.

Kindly correct you copies according to it and return one copy to me."

Copy of a letter No. SNS/C dated 7th November, 1936, from the Secretary to Sir Hormusji M. Mehta, Kt., to the Federation.

"I am directed by Sir Homi Mehta to send you a copy of his *report of the work done at the above Conference, which I enclose herewith."

Copy of a letter No. F. 1577 dated 3rd December, 1936, from the Federation to Sir Hormusji M. Mehta, Kt.

"With reference to my letter No. F. 1492, dated the 12th November, 1936, I am directed to inform you that your Report regarding the work done at the 20th Session of the International Labour Conference was submitted to the Committee of the Federation and they have authorised me to convey their thanks to you for the work done there."

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*This is a printed Report.

Copy of a letter No. F. 1578 dated 3rd December, 1936, from the Federation to Sardar P. S. Sodhbans.

With reference to your letter No. 1.C.46-B/180 dated 4th October, 1936, I am directed to inform you that your Report regarding the work done at the 20th Session of the International Labour Conference was submitted to the Committee of the Federation and they have authorised me to convey their thanks to you for the work done there."

NOMINATION OF INDIAN EMPLOYERS' DELEGATE TO THE 23RD SESSION OF THE INTERNATIONAL LABOUR CONFERENCE, 1936.

Copy of a Press 'Communique' issued by the Government dated Simla, October, 1937.

In the normal course the 23rd session of the International Labour Conference will be held at Geneva in June, 1937,—According to present information, the Conference will discuss:—

A. The reduction of hours in the printing trade and the textile and chemical industries.

B. Safety provisions for the building trades.

C. Organization of public works in relation to employment.

D. The revision of Draft Conventions relating to the admission of children to industrial and non-industrial employment.

The delegates representing each Member State at the Conference include two Govrnment delegates, one Employers' delegate and one workers' delegate. Advisers can be appointed for each group according to necessity and circumstances. The duty of nominating the personnel of the entire Indian Delegation rests with the Government of India, who, under the terms of the Treaty of Versailles, have undertaken to nominate non-Government delegates and advisers chosen in agreement with the industrial organizations exist, which are most representative of employers of work-people as the case may be.

An association will be regarded as representative of employers only if it ncluded among its functions that of dealing with the interests of employers as such (e.g. regulating the conditions of employment).

All suggestions relating to the nomination of non-Government delegates and their advisers should reach the Secretary to the Government of India in the Department of Industries and Labour as early as possible, and in any case, not later than December 31, 1936.

Aloowances (on a scale which can be ascertained by application to the Department of Industries and Labour) will be granted by Government to depray the expenses of the delegates and any advisers finally nominated."

Copy of a circular letter No. F. 1385 dated 21st October, 1936, from the Federation to all Member-bodies, and endorsed to Members of the Committee.

"I am directed to invite your attention to a press communique dated Simla, 18th October, 1936, calling upon industrial organizations to suggest names for the nomination of non-Government delegations to the 23rd session which is expected to meet in Geneva during June 1937. According to the present information, the Conference will discuss the following subjects:—

1. The reduction of hours in the printing trade and the textile and chemical industries.
2. Safety provisions for the building trades.
3. Organization of Public Works in relation to employment.
4. The revision of Draft Conventions relating to the admission of children to industrial and non-industrial employment.

In accordance with the procedure generally followed by the Committee of the Federation in the past in this connection, they intend suggesting names of persons to constitute the Indian Employers' Delegation for the consideration of the All-India Organization of Industrial Employers. I am, therefore, directed to enquire whether your Committee have any particular name in view for nomination of either the Employers' Delegate or any of his Advisers and in that case, you should kindly communicate to me such name or names later than Monday the 16th November, 1936.

The Committee of the Federation, after receiving suggestions in this connection from the Member-bodies, will decide upon the personnel to constitute the Indian Employers' Delegation for the consideration of the A.O.I.E.

In the meanwhile, I am directed to suggest to you to defer your recommending the names to Government in this connection until you hear from this office."

Copy of a Press Communique dated 21st December, 1936, issued by the Federation.

"The Federation of Indian Chambers of Commerce and Industry, and the All-India Organization of Industrial Employers have recommended the following personnel to Government to constitute the Indian Employers' Delegation to the 23rd Session of the International Labour Conference, Geneva, 1937:—

Delegate: Sir Hormusji P. Mody, K.B.E., President Employers' Federation of India, Bombay.

Adviser: Mr. Gaganvihary L. Mehta, Vice-President, Indian Chamber of Commerce, Calcutta.

Copy of a circular letter No. F. 1675 dated 21st December, 1936, from the Federation to Member-bodies and Members of the Committee.

"In continuation of my circular letter No. F. 1385 dated 21st October, 1936, I am directed by the President to communicate to you that as a result of negotiations between the Federation of Indian Chambers of Commerce and Industry and the All-India Organization of Industrial Employers, the following names have been found to be acceptable for recommendation to the Government of India for nomination as Employers' Delegation to the 23rd Session of the International Labour Conference:—

Delegate: Sir Hormusji P. Mody, K.B.E., President, Employers' Federation of India, Bombay.

Adviser: Mr. Gaganvihary L. Mehta, Vice-President, Indian Chamber of Commerce, Calcutta.

As you know, it is essential to have unanimity amongst the two employers' organizations and the Federation for securing acceptance of their proposals at the hands of the Government of India and though it has not been possible to secure acceptance of any of the names suggested by the Federation for nomination of the Employers' Delegate, the other two organizations have agreed to accept the suggestion of the Federation as regards the nomination of the Adviser. Under these circumstances, the Federation has to accept the personnel as indicated above, and the President trusts that his action in recommending these names to the Government of India will meet with your approval, and support."

Copy of a letter No. F. 1683 dated 21st December, 1936, from the Federation to Government of India, Department of Industries and Labour.

"With reference to the press communique dated Simla, 18th October, 1936, inviting employers' organizations to recommend names for nomination of the Indian Employers' Delegation to the 23rd Session of the International Labour Conference, I am directed by the Committee of the Federation to suggest the following personnel for nomination:—

Delegate: Sir Hormusji P. Mody, K.B.E., President, Employers' Federation of India, Bombay.

Adviser: Mr. Gaganvihary L. Mehta, Vice-President, Indian Chamber of Commerce, Calcutta.

The Federation trusts that the Government of India would be pleased to accept the above recommendation and nominate the Indian Employers' Delegation accordingly."

Copy of a letter No. F. 1733 dated 30th December, 1936, from the Federation to Government of India, Department of Industries and Labour.

"I have received an enquiry regarding the conditions under which passage money is offered to Members of non-official Delegations representing either the Employers' or Labour for attendance at the Labour Conference at Geneva and shall, therefore, thank you to inform

(a) Whether it is necessary for an Adviser to accompany the Delegate while travelling from India; and

(b) whether it is necessary to travel by the P. and O. or whether a Member of the Delegation can choose any route and steamship line he prefers.

I shall much appreciate informations on the above two points at an early date."

Copy of a letter No. L. 1537 dated 9th January, 1937, from the Government of India, Industries and Labour Department, to the Federation.

"With reference to your letter No. F. 1733, dated the 30th December, 1936, on the above subject mentioned above, I am directed to say that the sea travel of non-officials is regulated by Rules IA(b) and 3 of the Rules governing the allowances of non-officials deputed to International Labour Conferences (copy enclosed for reference)' The necessary passage are booked by Government by the P. and O. or allied lines and no cash payment is made to the members of the delegation in this connection."

It is not necessary for an Adviser to accompany the delegate while travelling from India."

ABOLITION OF STAMP DUTY ON INLAND BILLS

Copy of a circular letter No. F. 1619 dated 14th December, 1936, from the Federation to Government of India, Finance Department.

"I am directed by the Committee to address you on the question of the present rate of stamp duty on inland bills. The rate is at present 18 pies per cent. and as the bills current in the market are generally payable at 61 days, the duty works out at nine annas per cent. per annum. This duty is acting as a considerable handicap leading to the decline of a valuable credit and negotiable instrument. The heavy stamp duty has given rise to a new system of what is called "Purjas" in Calcutta which purport to be receipts for the money. These "Purjas" are not negotiable instruments and do not, in any way, serve the purposes of inland bills. Negotiable trade bills are very necessary for the proper building up of a money market and, it is regrettable that, in India, trade bills instead of receiving encouragement have received a great setback on account of the stamp duty.

The Committee would like to invite the attention of the Government of India to the recommendation made by the Royal Commission on Indian Currency and Finance, 1926, to the effect that the stamp duty on bills of exchange should be abolished with a view to promote the growth of these commercial bills. The Royal Commission had before them the evidence to the effect that in America at one time, stamp duty on bills of exchange existed and it was there found to restrict the development of the type of paper essential to the functioning of the money market, to render difficult the adjustment of the Federal Reserve Bank rates and to interfere with the operations of the Reserve Bank. After the war, when America undertook the reduction of taxation, the duty on bills of exchange was the first to be abandoned. This recommendation of the Royal Commission was endorsed by the Central Banking Enquiry Committee while discussing the various methods of developing the bill market in India. The Banking Enquiry Committee further suggested that their recommendation be given effect to within a period of five years so that the necessary steps might be takn by the Provincial Governments to make good the revenue deficit consequent on the acceptance of the proposal.

The Committee would like to urge that healthy banking development and existence of efficient discount market are mainly dependent upon the circulation of internal bills, and it is, therefore, necessary that every stimulus should be given for greater circulation of these inland bills. The Committee trust that the Government of India would be pleased to examine the matter with a view to abolish the stamp duty on these inland bills at an early date."

The above letter No. F. 1619 dated 14th December, was endorsed to Members of the Committee, Member-bodies and sent to the Press for favour of publication under endorsement No. F. 1620, dated 14th December, 1936.

INCLUSION OF SOUTHERNS AND WESTERNS COTTON IN THE BROACH HEDGE CONRACT

Copy of a letter No. 432/36 dated 24th September, 1936, from the Karnatak Chamber of Commerce, Bhagalkoot, to the Federation.

"Herewith is attached a copy of the correspondence took place between our Chamber and the East India Cotton Association, Bombay, on the above subject. At present we have written letters to the Directors of the Association requesting them to clear off the problem early, considering the welfare of the cotton dealers and growers of cotton in the Karnatak. The Board is continuously postponing the decision. So kindly help us in solving the problem early and in favour of us.

The Sub-Committee report of the Association will be sent for your perusal in a day or two.

Soliciting an early reply."

Copy of a letter dated 24th September, 1936, from the Karnatak Chamber of Commerce, to the Federation.

"We have introduced the above subject before the East India Cotton Association, Bombay, in the year 1929, 14th December, by the Cotton Committee of our Chamber and again on 30th April, 1932, and 12th March, 1933, by us directly.

This subject was also placed before the Board of Directors of the East India Cotton Association by the Mill-Owners' Association and others in the Bombay Presidency. After so much correspondence, the Board of Directors was pleased to appoint a sub-committee to tackle the problem in all its respects. Accordingly the Sub-Committee placed its report before the Board of Directors in the year 1934 August 7th. From that time the Board is considering the problem minutely without coming to a definite conclusion during these two years. This problem is of vital importance to the dealers and growers of cotton in the Karnatak and the Board is postponing the decision—continuously. That is why we are forced to approach you in this connection. Kindly see that the Board will come to a definite conclusion in the near future and in favour of us.

Soliciting an early reply."

Copy of a letter No. 444/36 dated 26th September, 1936, to the Federation, Karnatak Chamber of Commerce.

"In continuation of my letter No. 432/36 dated 24-9-36, I am now forwarding, under a separate cover a true copy of the report of the Sub-Committee of the East India Cotton Association appointed by the Board of Directors of the Association in the year 1935.

As requested in my last letter, kindly inform the further course to be adopted in getting the Board to settle the question early and satisfactorily.

Our Chamber has no representation in the Indian Central Cotton Committee and the East India Cotton Association Ltd., Bombay. We have requested for the same to the India Government and the Bombay Government. Kindly help in securing a seat in the above two associations; and also suggest the course to be followed for the same.

Soliciting an early reply."

Copy of a letter No. F. 1545 dated 28th November, 1936, from the Federation to the East India Cotton Association, Ltd., Bombay.

"I am desired by the President to acknowledge receipt of your letter No. F. 1260 of the 25th instant along with the copy of the speech delivered by Sir Purshotamdas Thakurdas, at the Fifth Annual General Meeting of your Association. I have also received along with it a copy of the 15th Annual Report. The President is much obliged to Sir Purshotamdas Thakurdas for his thought of sending a copy of his speech to him."

Copy of a letter No. F. 1563 dated 2nd December, 1936, from the Federation to Karnatak Chamber of Commerce, Bhagalkot.

"With reference to the corresponding ending with your letter No. 444 dated the 26th September, 1936, I am directed to inform you that they have decided that a copy of the whole correspondence should be forwarded to Sir Purshotamdas Thakurdas, and Mr. Chunilal Mehta with a request to examine the question and to do the needful in the matter."

Copy of a letter No. 786/36 dated 8th December, 1936, from the Karnatak Chamber of Commerce, to the Federation.

"Your No. 1563 dated 2nd Deecmber, 1936, to hand and very much obliged for the decision of the Committee.

We have already informed this fact to all the members of the Board of Directors of the E.I. Association, and the President. Similarly we have also informed this fact to the Financial Member of the Bombay Government, the Secretary, Indian Central Cotton Committee, Bombay, Chunilal Mehta.

Mr. Chunilal Mehta, on 28th September, 1936, has replied that he will keep in mind our suggestion. Sir Purshotamdas has in his presidential address of the Association, remarked thus a copy of which is attached herewith for your kind perusal."

FISCAL TARIFF BOARD'S REPORT

Copy of a circular letter No. 908 dated 3rd July, 1936, from the Federation to Members of the Committee.

"I am directed to forward under separate cover a copy of a draft letter to be addressed to the Government of India conveying the views of the Committee on the recommendations of the Tariff Board and the decision taken by Government thereon. I shall feel much obliged if you would be good enough to convey to me whatever suggestions you have to make on the subject to reach this office not later than Wednesday, 15th July, 1936."

Copy of a letter No. F. 987 dated 29th July, 1937, from the Federation to Government of India, Commerce Department.

"I am directed by the Committee of the Federation to convey to you their views on the findings of the Special Tariff Board and the decision of the Government of India thereon.

2. The Committee at the outset would like to express their entire disapproval of the attitude of the Government of India towards one of the great national industries in this country, namely, the cotton textile industry. Their policy leads to the conclusion that the grant of protection to this industry has always been influenced by a desire to safeguard British textile interests even at the cost of Indian ones. To illustrate this attitude it may be pointed out that the Government of India did not accept the recommendations of the 1932 Tariff Board which was based on a very careful and thorough investigation. They did not accept the period which the Board then recommended for continuance of protection. They evolved their own scheme of protection under which a lower rate of duty was fixed on imports from the United Kingdom and they further committed themselves to a further enquiry at the end of two years in respect of protective duties on import of British piecegoods. The haste with which they took decision without waiting for the Legis-

lative Assembly to express itself on such an important question further strengthens the view taken of their attitude by the Committee.

3. Even on the examination by the Special Tariff Board it was found that the Indian mills during the course of five years since 1930-31 have acquitted themselves creditably in increasing their production of cotton piecegoods—either grey, bleached or coloured. The industry has thus utilised the protection, with full advantage to the country in showing substantial progress though the financial results of the cotton mills have not been satisfactory. The consumers have benefitted by internal competition. The result of the Government's decision in accepting the recommendations of the Special Tariff Board would be to adversely affect further development of the indigenous industry. The outlet for the Indian mill production by way of exports is negligible being scarcely 4.3 per cent. of the production in 1934-35 and in course of time, this may further go down—it has already come down from 7.3 per cent. of the production in 1930-31 to 4.3% in 1934-35.

4. The imports from the United Kingdom, of piecegoods of all kinds during the last five years are:

Year.	Total imports. Millions of yards.)	"Printed."	Total excluding prints.
1930-31 ..	521	71	450
1931-32 ..	377	51	326
1932-33 ..	586	88	498
1933-34 ..	414	56	358
1934-35 ..	553	97	456
Average	490	73	418

These figures show that Lancashire has not done badly in spite of the protective duties that existed.

6. The Government of India state that in taking the decision on the Special Tariff Board's recommendations, they have given the fullest consideration to the possible reactions of the reduction of duties on customs revenue and that there is no reason to anticipate that in future years revenue will be deteriously affected. This is ony possible if the imports from the United Kingdom of piecegoods excluding prints exceeds the present imports by 150 million yards, when account is taken of the loss in customs revenue on the imports of cotton, chemicals and dyes and other stores. If the reduction encourages greater imports of piecegoods from the United Kingdom, it would be at the cost of indigenous production. The only method which seems to the Committee possible of giving an impetus to the imports of piecegoods from the United Kingdom without affecting the normal growth of the indigenous industry is to stimulate greater demand of cotton piecegoods in India and this is possible only if the purchasing power of the masses is substantially increased. But the Committee do not foresee even in distant future any tangible action on the part of the Government of India towards increasing the purchasing power of the agriculturists.

6. Another important consideration which, the Committee feel, ought to have weighed with the Government is the consumption of Indian cotton by the Indian mills. During the course of the last five years, the consumption of Indian cotton by Indian mills increased to 26,78,000 bales in 1935-36 from 22,69,000 bales in 1930-31, that is, an increase of 4,09,000 bales or 18 per cent. It should be further noted that the consumption of Indian cotton by Indian mills influences the parity of Indian cotton in foreign markets. The Committee apprehend that with the reduction of duty in the protective tariff, the cotton-growers in India are sure to be affected to some extent.
be affected to some extent.

7. The Committee, after carefully going through the Report of the Tariff Board, find that the industry established a case for an increase in the rate of duties on imports of cotton piecegoods from the United Kingdom. Various efficient mills in India Calculated the fair selling prices for the same goods if manufactured in Indian mills as are imported from Lancashire. This was certainly the correct basis on which an estimate could be made as to the amount of protection needed by the local industry. The Committee are aghast to find that the Tariff Board brushed aside this equitable method for no other reason than that it disclosed the necessity of a higher import duty. With what seems to be a predetermined idea of reducing the present duty on the British imports, the Tariff Board adopted the queer and unfair method of comparing the fair selling prices of inferior Indian goods with the c.i.f. prices of superior Lancashire goods.

8. As even that method did not disclose results to the liking of the Tariff Board, they went to the length of twisting the figures of capital cost, working capital and the margin of profits that should be taken into calculation.

9. The Bombay Millowners' Association submitted—and they were cautious on the low side—that the bare cost of erecting a mill would be Rs. 72 per spindle and Rs. 1,800 per loom. The Association did not even take into account the capital cost of constructing workers' quarters, etc. But the Tariff Board, instead of accepting these very reasonable figures, calculated the average capital cost of existing mills in Ahmedabad, although, as a matter of common experience, much extension must have been carried out there in working mills without incurring designing, overhead and supervision charges and a portion of the cost of extension must have been debited to revenue. But the Tariff Board chose to make their calculations on the basis of Rs. 63 per spindle and Rs. 1,575 per loom, which made a difference of 20% on the capital expenditure.

10. The Board have further decided that the profit on the total fixed capital or block expenditure should be fixed at 6 per cent. against the rate of 8 per cent. accepted by previous Tariff Boards as minimum return necessary. Even the rate of 8 per cent. can hardly yield a dividend of 4 per cent. to the investing public when it is remembered that fluctuations in prices, obsolescence of machinery, breakdown of machin-

ery, strikes, reserves, etc. have to be provided for. The rate of 6 per cent. accepted by the Tariff Board is grossly unfair.

11. The Board have further arrived at the prices of imported goods (excluding duties) by taking the c.i.f. prices and adding 5 per cent. to cover commission and interest. It may be mentioned here that the brokerage is scarcely 6 annas per cent. while the cost of removal from the docks should not be taken into consideration as the Indian mills have also to incur similar expenditure. There is no reason, therefore, why the Tariff Board should accept 5 per cent. to cover commissions and interest for arriving at c.i.f.c.i. prices of imported cloth. At the most, they should have calculated this at 2 per cent. The fair selling price for the United Kingdom goods is thus twisted to justify their recommendation to a reduction of duty on British goods.

12. In case of printed goods, the import duty ought to have been increased to allow the industry to develop manufacture of prints on a larger scale. The Millowners' Association, Bombay, very forcibly submitted that as the indigenous industry in printed goods is in its infancy, it should be assured of adequate protection for a reasonable period. The fact cannot be lost sight of that under the present conditions, the printing industry has not been able to make any progress worth the name. It is surprising, therefore, that the Board have not thought fit to make any recommendation as to the duty on printed goods.

13. The Committee of the Federation very much regret to the that the Government of India, even if they wanted to effect a reduction in the import duty on the United Kingdom cotton piecegoods, should not have utilised such a reduction to secure proper terms from the United Kingdom for India's benefit. They will know that owing to the termination of the Ottawa Trade Agreement, they wolud soon be negotiating a fresh trade agreement with the United Kingdom, and they could have utilized the preference which they are now granting to the United Kingdom to the best of their advantage in securing better trade terms for India. In trade negotiations between two countries, tariff preferences are always taken full advantage of in negotiating a more favourable trade treaty with the other country. In India one finds the phenomenon of its Government giving away substantial preferences to the United Kingdom competing with its indigenous industries without any quid pro quo to the nation. The Committee, therefore, feel it their duty to submit that particularly when the whole question of bilateral trade treaties with the United Kingdom and other countries is soon to engage the attention of the Government in near future, the Government would have deferred their decision with greater advantage to India. The Committee expected the Government to rise above their traditional old methods of serving British interests at the cost of Indian ones, thus dispelling all doubts about their policy from the mind of the public."

Copy of the above letter No. F. 987 dated 29th July, 1937, was circulated to Member-bodies, Members of the Committee and Press for publication, under endorsement No. F. 988 dated 29th July, 1936.

DISSOLUTION OF THE TARIFF BOARD

Copy of a letter No. F. 802 dated 17th June, 1936, from the Federation to Members of the Committee.

"I am directed to invite your attention to an A. P. message dated Simal, 16th June, 1936, appearing in the papers regarding the decision of the Government of India to dispense with the Tariff Board. I am forwarding below a copy of the press report for your easy reference.

The President would be glad to know from the Members of the Committee if they desire the Federation to address any communiaction to the Government on their decision to dissolve the Tariff Board and the lines on which the views of the Federation should be expressed. I shall, therefore, thank you to communicate to me your views to reach this office not later than Wednesday the 1st July, 1936."

Copy of A. P. Message dated Simla, 16th June, 1936.

"The Government of India have, it is understood, decided to dispense with the Tariff Board, and orders communicating this decision have sent to the President and Members of the Board.

The Tariff Board was set up over 13 years ago, with Sir George Rainy as the first President, to conduct an inquiry into protection for the steel industry. Since then the personnel of the Board has changed considerably, the life of the Board has been extended almost year after year.

The Board have conducted numerous inquiries, and in the great majority of cases their recommendations have been accepted and given effect to.

The last report of the Board to be published was in connection with the inquiry presided over by Mr. Fazal Ibrahim Rahomtoola, with Mr. Batheja as Member, on the question of classification of paper for tariff purposes.

The Government do not expect any inquiry to be instituted for several months to come, and thus the continuance of the Board without work is considered a superfluity. There is, of course, power to constitute the Tariff Board whenever this is felt necessary.

The next big inquiry is likely to be held in connection with the sugar industries as the existing Sugar Protection Act will expire in 1938."

Copy of a letter No. F. 875 dated 27th June, 1936, from the Federation to Members of the Committee.

"With reference to my circusar letter No. F. 802 of the 17th instant forwarding therewith a copy of an A.P. message dated Simla, 16th June, 1936, I am further directed to invite your attention to a subsequent press report on the above subject, a copy of which is reproduced below. I have accordingly written to Government for elucidation as regards their intentions in the matter. I am forwarding below a copy of the letter to Government for your information."

Copy of United Press message dated Simla, 25th June, 1936.

A misunderstanding about the future of the Tariff Board seems to have been caused by the recent Simla message stating that the Tariff Board has been dissolved. Judging from press comments and statements made by prominent leaders of the Indian commercial community it appears that belief has gone round that the Tariff Board has been abolished.

"United Press" inquiries in official circles indicate that this is not true. The Special Tariff Board which inquired into the effectiveness and the extent of need for protection against the imports of British cotton piecegoods having completed their inquiry was disbanded as is generally done after every Tariff Board inquiry. As soon as the claims for the protection of any other Indian industry are considered or reconsidered a Tariff Board inquiry would follow in natural course. No charge in the policy of protection as embodied in the Assembly resolution of 1923 is contemplated and the institution of Tariff Board has not been abolished."

Copy of letter No. 871 dated 27th June, 1936, from the Federation to the Government of India, Department of Commerce, Simla.

"I am directed to invite the attention of the Government of India to two conflicting press reports dated Simla, 16th and 25th June, 1936, regarding the intentions of the Government of India in respect of the Tariff Board. I am enclosing copies of the two reports for your easy reference and shall feel obliged if the Government of India would be pleased to inform the Committee of the Federation as to their intentions with regard to the Tariff Board. An early communication on this point will be much appreciated."

Copy of a letter No. 292-T (2) 36, dated 6th July, 1936, from the Government of India, Commerce Department, to the Federation.

"With reference to your letter No. F. 871 dated the 27th June, 1936, on the subject noted above I am directed to say that the message from the "United Press," dated the 25th June, 1936, states the position correctly."

FRANCHISE FOR AFFILIATED ASSOCIATIONS OF CONSTITUENT BODIES OF COMMERCE CONSTITUENCY

Copy of a telegram dated 24-6-36 from the Indian Merchants' Chamber, Bombay, to the Federation.

"Hammond Committee paragraph 432 recommended continuation of franchise for affiliated association members of constituent bodies forming commerce constituency stop. Fears expressed that paragraph seven part three and corresponding paragraphs other parts Provincial Legislative Assemblies order not provided for such associations being enfranchised stop Question effects almost all provincial chambers forming commerce constituencies stop Great hardship and discontent caused if affiliated associations deprived of votes stop Since matter being all India question request Federation represent Government of India and Secretary of State immediately asking position being clarified and desiring defect in order being removed."

Copy of a letter No. 1564 dated 24th June, 1936, from the Indian Merchants' Chamber, to the Federation.

"I confirm hereby the telegram sent to you to-day as per copy enclosed herewith.

I am also sending to you herewith, for your information, a copy of the teregram sent to the Government of India, Reforms Department, Simla, to-day on the above subject."

Copy of a circular letter No. F. 874 dated 27th June, 1936, from the Federation to Members of the Committee.

"I am desired by the President to reproduce below a copy of a telegram received from the Indian Merchants' Chamber, Bombay, asking the Federation to send a telegram to the Secretary of State for India and to the Government of India regarding the position of associations affiliated to commercial chambers and associations forming commercial contsituencies as regards franchise. The President would like to know the views of the Members of the Committee and if the majority of the Members feel that such a telegram should be addressed to the Government of India and the Secretary of State for India, they should kindly communicate their views preferably by telegram to reach this office not later than Monday the 6th July, 1936. If action is to be taken, it must be taken immediately and hence the request for a telegraphic reply."

Copy of a letter No. F. 915 dated 4th July, 1936, from the Federation to Indian Merchants' Chamber, Bombay.

"With reference to your telegram dated the 24th June, 1936, suggesting to the Committee of the Federation to send a telegraphic communication to the Government of India and the Secretary of State for India regarding the position of associations affiliated to commercial Chambers and associations forming commercial constituencies as regards franchise, I am directed by the President to state that the matter has been referred to the Committee of the Federation and a suitable communication will be addressed to the authorities concerned if they so desire. I shall revert to this as soon as I get the views of the Members of the Committee on this question."

Copy of a letter No. 1682 dated 6th July, 1936, from the Indian Merchants' Chamber, to the Federation.

"I hereby confirm the telegram sent to you to-day, as under:—

"Your letter No. 915 Fourth July. Questions regarding disenfranchisement of affiliated associations of extreme importance. Regret that no communication has yet passed from Federation to Government. In view of preliminaries for provincial elections nearing completion urge that a telegram be sent immediately to Government in terms of communication sent by my Committee. Inchambu."

Copy of a circular letter No. F. 939 dated 8th July, 1936, from the Federation to Members of the Committee.

"In continuation of my circular letter No. F. 874 dated 27th June, 1936, I am now directed to forward below, for your information, a copy of a telegram addressed to the Government of India, Reforms Department, on the above question."

Copy of a telegram dated 7th July, 1936, addressed to the Government of India in the Reforms Department, Simla, by the Federation.

"Provincial Legislative Assembly Order ignores Hammond Committee's recommendation paragraph 432 Report suggesting enfranchiseing affiliated associations of constituent bodies forming commerce constituency stop Such affiliated associations represent important trading interests in country and their intimate contact with commercial constituencies essential stop Federation Committee suggest India Government to represent Secretary of State supplementing Orders in Council to correct the defect."

Copy of a letter No. F. 940 dated 8th July, 1936, from the Federation to Indian Merchants' Chamber, Bombay.

"I am directed to acknowledge receipt of your telegram of yesterday's date and to say that a telegram was addressed to the Government of India, Reforms Department, on the above subject, as per copy enclosed."

Copy of a letter No. 4985 A.R. dated the 23rd July, 1936, from the Government of Bengal, Reforms Branch, to the Federation.

"I am directed to say that the Government of India have received representations from certain Indian Chambers of Commerce, that affiliated associations of the constituent bodies of the Commerce and Indutsry Constituencies of the Provincial Legislative Assemblies should be made eligible to vote. As this would involve an amendment of the Provincial Legislative Assemblies Order, 1936, the Government of India have decided that, in view of the already advanced stage of electoral preparation and the time which would be involved in obtaining the approval of both Houses of Parliament to an amendment of the Order in Council, no action should be taken now."

Copy of a circular letter No. F. 1047 dated 11th August, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to forward hereunder, for your information, a copy of a telegram addressed by the Federation to the Government of India, Reforms Department, and a copy of a reply received from the Government of Bengal, Appointment Department (Reforms Branch), on the above subject."

Copy of a telegram dated 7th July, 1936, addressed by the Federation to the Government of India, Reforms Department, Simla.

"Provincial Legislative Assembly Order ignores Hammond Committee's recommendation paragraph 432 Report suggesting enfranchising affiliated associations of constituent bodies forming commerce constituency stop Such affiliated associations represent important trading interests in country and their intimate contact with commercial constituencies essential stop Federation Committee suggest India Government to represent Secretary of State supplementing Orders in Council to correct the defect."

REPRESENTATIVE OF THE FEDERATION IN GERMANY

Copy of a letter No. F. 265 dated 13th February, 1936, from the Federation to the Indian Trade Commissioner at Hamburg.

"I am directed to inform you that the Committee of the Federation have appointed Dr. K. L. Ganguly, as their representative in Germany. His present address is:

Dr. K. L. Ganguly,
Representative of the Federation of Indian Chambers of Commerce, and Industry,
Berlin—Wilmeersdorf,
Zachringerstr, 38.

The object of the appointment is to create facilities for greater development of India's export trade with Germany. The Committee will much appreciate if your office would co-operate with Dr. K. L. Ganguly, in the furtherance of the object."

Copy of a letter dated 4th March, 1936, from the Indian Government Trade Commissioner, to the Federation.

"I have to acknowledge the receipt of your letter reference F. 265 of the 13th February, in which you inform me that Dr. Ganguly has been appointed as your Representative in Germany.

I shall be pleased to co-operate with Dr. Ganguly, in the interests of India's export trade with Germany."

Copy of a letter dated 24th April, 1936, received from Dr. K. L. Ganguly, to the Federation.

"I was duly in receipt of your letters. I am glad to note that the Trade Commissioner of Government of India is willing to co-operate with me in the interest of India's export trade with Germany.

In my previous report—dated 31st October, 1935, I laid down the lines in which I am working. During the last few months I was very busy organizing my office, and a suitable staff to enable me to carry on my work efficiently, I have now succeeded to establish this office at Kurfurstenoam 12, a quarter to which only Unter den Linden is equal, in importance in Berlin, and to have at my disposal a staff, well-versed in English, French, and German and well-up in all German economic affairs. I have thereby arrived at the 2nd important stage of my work. Up to this time it was rather difficult for me, single handed, to do proper justice to all the enquiries and duties that were carried over to me as Representative of the Federation. But henceforward replies to all enquiries will be swiftly answered, and the possible work entailed will be quickly carried out. Moreover I am now in a position to send you monthly reports, which will contain not only a current economic survey of Germany and the European countries, but also hints for the Indian merchants which will be greatly useful for them.

I shall shorty send you a detailed annual report of my activities in Germany. This year has mainly been spent to organize my office and staff, and to create a footing for the Federation in Germany. The real work will be begun now.

The main item of my mission here is in my opinion to help the Indian merchants to get back in their hands as much as possible of their previous export trade with Germany. That will be possible if the Federation helps me to create an organization in Berlin which will act more or less as a central clearing platform for Indian export and import trade with Germany. My office at Kurfurstendamm 12 might serve as the starting point for this purpose. But to realize this idea into practice, a good deal of spade-work has still to be done. The most important item of this work is collection of statistics. I am badly in need of statistics showing what has been the purely Indian share of the Export and Import trade between India and Germany since the year 1930 to 1935. Statistics are necessary for the total volume of trade, as well as for individual items. You have informed me that you are collecting these figures. Please let me have the figures soon, so that I could start my of the daily import and export return reports of the Customs-Houses of work in this line.

In my opinion these figures could only be correctly compiled out of the daily import and export return reports of the Customs Houses of Calcutta, Bombay, Karachi and Madras. These reports can be subscribed. It means, however, a large amount of office work to collect these figures out of these reports. My office is now in a position to do so. If you want me to do it, please subscribe them since 1st January, 1935, and send them over to me. It is advisable to keep me posted with these returns in future too, so that my office might always be equipped with up-to-date figures.

As regards News-Service, my office is doing this work, but it is important that it should be equipped with Indian economic journals, and important commercial books and directories. I would also request you to send some of them to me regularly so that the Library here might be fairly well-equipped.

As regards item 1, of my report of the 31st October, 1935, I have received a few applications, and I am trying my best to do whatever is possible.

As regards news concerning German Export Facilities to benefit the importers of German goods in India, it is not possible to issue general circulars, for that is not legally permitted in this country. But I am fully in touch with them and individual firms desirous of being helped should apply to me, and I shall do my best to help each individual firm according to the merits of the case. The firms applying are requested, however, to give me full details so that I can take a definite step in the matter.

Kindly circulate this report among the body-members and oblige."

Copy of the Report No. 3 dated 10th July, 1936, from Dr. K. L. Ganguly, to the Federation.

"Rapidly changing economic and political conditions of the world during the last decade have rendered international trade artificial and complicated. They have created such critical situation for some highly industrialized continental countries like Germany and others that these have been forced to resort to novel measures like barter system, locking of inland currency etc., which have very naturally affected the entire world trade. These countries are trying thereby to solve their difficult economic problems like shortage of foreign currency, decline of export trade etc., but the result is that instead of bringing about any adjustment in their foreign trade, their special measures are giving rise to still greater difficulties to meet which their Governments are being daily forced to enact still more novel restrictions, which are creating further complications in international trade.

The most remarkable phenomenon, resulting out of this state, is the shifting of sources of supply of raw materials for the enormous industries of these countries, and that is of great importance for India. Because of shortage of foreign currency, Germany has become dependent on barter for the import of Indian raw produces, which has automatically shrunk back to nearly 33% of the 1929 figure, though Germany's demand for these materials has since greatly increased. Other countries with which Germany has got easier clearing arrangements, are daily occupying the market of raw products lost by India in Germany. The appended specially collected statistics, which I propose to issue periodically, illustrate this phenomenon clearly.

And Germany is of greatest importance for India's import and export trade. Her highly developed machine industries are of tremendous value for the industrialization of India and her great hunger for raw materials must concern India most. In modern Germany which is rebuilding its army and industry on a gigantic scale, demand of Indian raw materials is bound to go on increasing.

The Federation of Indian Chambers of Commerce and Industry has as its duty to help the Indian merchants in making use of this situation as far as possible and has, its office in Berlin, which is now in a position to guide the Indian merchants in their trade with Germany, to protect their interests as far as possible to help them with useful information and to observe on their behalf the import and export market of Germany. It has taken me nearly a year to organize this office. This office will henceforward issue periodical reports to the member-bodies of the Federation and if desired to individual persons and firms.

Enclosed I take the privilege of sending a specially collected statistical review of the Indo-German trade relation with reference to export of Indian raw products to Germany. The special feature of this review is the reference to other countries as well, which supply raw material to Germany, and as mentioned above, it clearly exposes the relative movement of supply of Indian raw produces from India and clearly exposes the relative movement of supply of Indian raw produces from India and from different countries to Germany. There may be some Indian firms which require more detailed treatment of some special class of goods. There may again be some who are interested to get figures regarding export to other countries like Holland, Belgium, Switzerland, Austria, Sweden and may be even England. They are requested to refer the matter to the Federation's office in Berlin.

The Office of the Federation of Indian Chambers of Commerce and Industry in Berlin has got as its object not simply to issue statistics, but also to promote the Indo-German Import and Export trade and mainly in the interest of Indian merchants. This office has, therefore, taken upon itself the task of according practical help to the Indian merchants by guiding them in their trade with Germany. Necessity of such services cannot be over-estimated. The Indian merchants are generally ignorant of the complicated state of affairs in Germany, which, as stated before, is again constantly changing. Ideas of such things as "Devisen," "Sperrmark," "Kontingent," "Aski," etc., which play an important role in German economic life, must necessarily be strange to them, still more so because these terms are daily undergoing changes in their meaning and application. But a sound knowledge of these, which only this office can gather first hand on the spot, is extremely useful for trading with Germany advantageously. Also constantly changing custom regulations, export and import movements of various products are really an anathema to the Indian commercial public. If applied for, this office will guide individual merchants in their dealings with German firms, so that they might derive the best possible advantage thereof.

I wish to draw particular attention of the Indian merchants to another aspect. Now-a-days business deals with this country, must be swiftly concluded, if the advantage of a particular state of affairs is to be derived, because the conditions are constantly changing, and the possibility of an advantage which exists at a particular stage may disappear abruptly due to some unexpected introduction of new measures by the Government. It is of daily occurrence that the basis on which a business deal has been proposed a few weeks back cannot any more be got through because of such suddenly introduced restrictions. It is, therefore, of utmost importance that airmail letters or even cables should invariably be used for trade correspondence with this country. It is of great value that the Dutch Airmail Service has recently shortened the time of delivery from Germany to India from 7 to 3½ days.

Another method of carrying on business swiftly is to mention in the very first inquiry full and precise details. The inquiries of general nature such as what are the prices for a particular article without mentioning the quantity, price-limits, terms of delivery, etc., cannot at all be dealt with in Germany, because besides the constant change of circumstances which affect the prices considerably, the prices depend on the quantity to be ordered, the quality required, and the terms of payment demanded.

It is, therefore, necessary that every inquiry should be accompanied with the following data:

1. Exact description of the quality required, samples to be enclosed or sent by separate post wherever possible. In case of machineries or plants; sketches, or diagrams, samples of raw material and finished products to be sent and output per eight hours, nature of power available etc., to be clearly mentioned.
2. Quantity to be ordered.
3. Nature of delivery.
4. Terms of payment and price-limits.
5. It has to be expressly mentioned whether the articles required are to be compensated or not. If to be compensated with what merchandise compensation is desired.
6. Packing, nature of quotations F.O.B., or C.I.F., Insurance, etc. All these details are to be precisely given.

Many Indian firms who are already importing goods from Germany, naturally desire to derive better terms and prices. It is therefore recommended that they should communicate to me confidentially the prices and term of delivery of the competitive firms, specially of European Countries outside Germany, so that it could be quickly found out whether any factory in Germany could deliver better prices and better terms.

I would be much thankful to the member-bodies of the Federation of Indian Chambers of Commerce and Industry, and the individual members if they would help me by giving new suggestions regarding the organization of the Federation's office in Berlin.

In conclusion I wish to express my special satisfaction that many Indian merchants who visited Germany during the last year, sought my help personally and I am very glad to state that on all such occasions it has been possible for me to help these gentlemen substantially in their business deals with Germany. In future such services will be rendered in an organized way so that they will be still more satisfactory and swift."

Copy of a letter No. 189 dated 21st July, 1936, from Dr. K. L. Ganguly, to the Federation.

"I acknowledge with thanks receipt of your airmail letter of the 13th instant which I have just received. My airmail letter of the 10th instant together with my report No. 3 must have crossed this letter of yours.

I beg to draw your attention to your letter of the 10th ultimo, from which you will see that my report of the 24th April remained unacknowledged by your office through oversight. I, therefore, had nothing to write to you till I received your favour of the 10th ultimo, in the first week of this month.

I note with interest that the question of the renewal of the term of my office comes up before the Committee which meet in New Delhi on the 25th instant. I also note that you want a report of my activities during the last year, apparently to be submitted before this Committee meeting. I shall send you this report as early as possible, but as there are only four days left for this meeting, it is not physically possible for me to make my report reach you before the 25th instant.

I am hastening to write this letter by to-day's airmail but even then, I am not sure if it will reach you in time. I am, therefore, sending this letter to you care of Mr. G. D. Birla at his New Delhi address.

To sum up my activities during the last year I might say that I have organized the office of the Federation during the last year, and it has now been established on a sound footing. My report No. 3 shows what functions it is now carrying on. I have besides rendered services to a large number of Indian firms and merchants. A typical acknowledgement of a service like this is being enclosed herewith. I believe, you also received this letter from the Indian firm in question in due time. The firm sent me a copy of this letter which is being enclosed. Besides personal services I have connected a large number of Indian firms with various German firms and I have also helped a few firms who had difficulties here regarding delivery of machines etc., by getting these promptly despatched through my intervention. Just at present I have got several cases of Indian firms in hand whose money has been locked up in Germany, and I am trying my best to get this money released.

I wish to draw your particular attention to the fact that now that my office is properly organized, a prompt response from your side regarding collection of statistics, sending of literature etc. will be necessary in order to make the Federation's office in Berlin substantially useful to the merchant community of India.

I herewith acknowledge with thanks the receipt of Volume No. 3 of the Proceedings of the 9th Annual Meeting of the Federation. I would request you also to kindly send me the Volume 1 and 2.

A detailed report of my activities during the last year is to follow on."

Copy of a circular letter No. F. 1025, dated 4th August, 1936, from the Federation to Member-bodies.

"A year has passed since Dr. K. L. Ganguly was appointed as Representative of the Federation in Germany, and the Committee would, therefore, be glad to know the views of the Member-bodies and Members of the Committee regarding the utility of continuing the term of office for a further period of one year. I shall, therefore, thank you to forward to me your views on the above question, to reach me not later than 31st August, 1936."

Copy of a letter No. F. 1053 dated 12th August, 1936, from the Federation to Dr. K. L. Ganguly.

"I am directed to acknowledge receipt of your letter No. 189 dated 21st July, 1936, which reached me in time of the meeting at New Delhi I am now awaiting with interest your Report of the work done during the year 1935-'36. The Committee at New Delhi decided that the Member-bodies of the Federation should be asked to express their views on the utility of continuing the office of the Representative at Berlin. The Committee will probably consider this question at their next meeting after going through the views expressed by the Member-bodies. I am sending under separate cover a copy of the 1st and 2nd Volume of the report of the Federation."

Copy of a letter No. F. 1263 dated 15th September, 1936, from the Federation to Dr. K. L. Ganguly.

"In continuation of my letter No. F. 1053 dated the 12th August, 1936, I have to inform you that I have not as yet received any detailed report of your activities during the last year which you promised to send in your letter of the 21st July, last. As regards statistics, I am sending to you, under separate cover, a copy of the March, 1936, issue of the Sea-borne Trade of India as also of June, 1936. These will give you all the available information about the export and import trade of India and Germany. Please send me by return of post the publication, if it is in English, giving information about the export and import trade of Germany for the last five years. In case such publication is not available, I would request you to send me figures of import into Germany of raw materials, indicating the sources of supply, for instance, dealing with imports of groundnut. The information should contain the detailed imports of groundnut in quantity and value into Germany during the last five calendar years, showing also the quantity and value of groundnut imported from various countries. Similar information should be sent for all other raw materials, particularly those in which India is interested. As you might be aware, the Government of India are at present considering the possibilities of entering into Trade negotiations with the United Kingdom and I want to know how we stand in relation to Germany as regards the supply of raw materials to her. You might be knowing that India was a very substantial supplier of raw materials to Germany in the past, but since the inauguration of foreign exchange control, India has been lagging behind and could not regain her position, particularly since the Ottawa Trade Agreement. I want, therefore, correctly to understand to what countries Germany has turned for the supply of these articles in place of India, whether she has entered into any bilateral agreements with such countries and on what terms. It is so very difficult to get any reliable information about this and I have, therefore, written to you in the hope that you would be good enough to expedite sending the above information at a very early date."

Copy of the Report No. 4 dated 10th September, 1936, submitted by Dr. Ganguly, to the Federation.

"I note with great pleasure that my Report No. 3 issued on the 10th July, 1936, has been well appreciated by the Indian merchant community I hope .such reports, to be issued by me periodically, will always be well received. Some imoprtant inquiries were received by me in response to my report. Such inquiries are always welcome and are to me of great help because they bring in touch with actual needs of commercial India. They enable me thereby to make my future reports more matter of fact and useful. An organic relation and co-operation between the Federation's office in Berlin and the Indian merchant community will thus develop, which is bound to be of immense importance for the latter.

Among many other inquiries I received, the one of a prominent produce association in India, is of interest for the whole of India. I therefore reproduce below my correspondence with this association:—

"Dr. K. L. Ganguly.

Representative of the Federation,

of Indian Chambers of Commerce and Industry.

Berlin, Germany:

Dear Sir,

1. What is the present condition and future estimation of wheat, linseed, Toria (Rape and mustard seeds) in Germany and the surrounding European countries?
2. How many harvests are there of these crops in Germany and what are the market positions of these crops?
3. What are the quantities of export and import of these crops from and into Germany
4. What are the quantities of these crops required by Germany for home consumption?

Copy of my answer:

"As regards your enquiry I beg to state the following: There is no demand for Indian wheat in Germany, but there is demand for linseed, though the cultivation of flax has increased from 4889 hectar (one acre is equal to about 3 hectars) in the year 1933 to 8790 hectars in 1934, 22,276 in 1935 and 40,895 ha in the year 1936. The import of linseed in Germany was in the first half of 1936 nearly 1304.840 cwt. and British India 126,450 cwt. You will find this figure in my last report.

Regarding rape, the cultivation has also been very greatly extended during the last years so much that the cultivation of 1936 is equivalent to nearly ten times that of 1933. In spite of that there is great demand for import of this article into Germany. The import of rape during the first half of the year 1936 was nearly 52,152 cwt. of which India alone exported 40,996 cwt. There were small imports also from Poland, Rumania and Merico.

As regards mustard seeds there is very little cultivation in Germany. The import during the first half of 1936 has been 39,859 cwts. of which Rumania exported 15,455 cwt. Italy 8908 cwt. Poland 8584 cwt. Netherlands 3051 cwt., Denmark 2763 cwt., and British India only 476 cwt.

Wheat, linseed, rape and mustard seed have only one crop in Germany. The annual crop for 1936 for rape is estimated at 51,950 cwt. (1935: 47,023) and that of linseed 40,595 cwt. (1935: 47,023) and that of linseed 40,595 cwt. (1935: 22,276 cwt.).

The crops of linseed, rape, mustard seeds of Germany do not at all 'meet her demand, but the future requirements of these articles cannot be estimated because the import of all oil fruits into Germany is regulated by special control offices according to available foreign currency and according to systematically developed political and economic factors in Germany. The import of oil fruits into Germany is generally possible through barter system and these articles can very easily be bartered with such German articles as machines, hardware, coal, cement, shipping, tonnage, etc. Export in these lines to Germany can be increased by importing from Germany the goods mentioned above in larger quantities."

The trade between two such distant countries as India and Germany can only be successful if their demands and export possibilities be constantly examined. As I reported before, Germany and many of the European countries have gradually been forced to the position of being able to carry on their foreign trade only through barter or clearing arrangements, and each of these countries is constantly trying to maintain at least a balanced, if not favourably balanced, trade with foreign countries.

In our case, we have always to examine the question, demand for what Indian produces is great in Germany and in exchange thereof what German products could be imported to India. What Germany is importing from India at present is shown by the statistics I enclose herewith. These statistics, however, give only an idea regarding the present comparative position of Indian export to Germany. but it does not show the possibilities of new export from India. But I take it to be one of my duties to help the increase of Indian export to Germany and therefore every inquiry regarding possibility of new export of a particular Indian produce to Germany or to Europe, will be received by me with great interest. There is always a possibility of developing a new line of export. For instance I have recently informed some leading firms in India that Germany imports nearly 48 millions worth of oranges, of which nearly 40 millions used to be exported by Spain, but the present political situation in Spain makes it impossible for that country to export a large quantity of oranges to Germany. It is, therefore, an interesting question whether India could take up this line and export oranges of good quality to Germany.

Now I would like to come to the question of German export to India. For this Report I would like to take up one particular item, namely, German machines. Germany can deliver machines of the finest quality. In the last few years Germany has increased her capacity in this branch enormously. The total sale of machines in the second half year of 1935 has increased by 17.1 per cent. higher than in the first half of the same year, and the total sale in the entire year 1935 has increased by 40.6 per cent. higher than that of the previous years. This increase in sale of German machines has been caused mainly by orders received from outside. Foreign orders for machines received in Germany during the months July to December, 1935, have increased by 56 per cent. compared to the first half of the same year, whereas inland demand for machines just maintained the average of the first half year. At the end of 1935 orders for machines received by Germany from outside have been so high that she is bound to be fully occupied with the carrying out of these orders during the first half of 1936.

The machine export of Germany had a temporary set back in the first half year of 1935, but during the 2nd to 3rd quarter of the same year it has been raised by 16 per cent. and during the 3rd to 4th quarter by 20 per cent. The countries which mainly contributed towards improvement of German machine export during the last year are Japan, China, Russia and mainly South American countries, specially Chile. But since the orders for machines received by Germany during the last quarter of the year 1935 have been very great, it is expected that the machines export of Germany during 1936 will reach a high figure.

India is now in a state of industrial development and it must be a question of great importance how far we could advantageously utilise German machine industry for this purpose. It is well known that through barter system and various facilities, granted by the German Government, the prices of the German machines and plants can be considerably reduced, but in spite of this reduction, the present prices and terms of delivery are not favourable enough to encourage Indian capitalists to undertake new industrial enterprises with German machines, because the main obstacle in starting a new industry is the blocking of a large amount of capital in the purchase of machineries and plants. What is essential to encourage starting of new industries is provision of long termed credits at advantageous terms and low interest for the purchase of machines and plants. The machine factories as a rule cannot grant much credit because they have to get a quick return for their capital invested in order to pay their workers' wages and to buy raw materials. Some special financing arrangement has got to be made for this purpose and that can only be done through bankers.

Recently I have been engaged in the arrangement of financing of this nature for a big industrial undertaking in India. In fact, I was so occupied with this work that the issue of this report has thus been unavoidably delayed. My success has, however, compensated this delay. The new industry which will shortly be started in India, has been substantially helped by the credit I have arranged. It will always afford me a great pleasure to be so helpful to other Indian industrial enterprises.

In this connection I would like to repeat my request that all inquiries should be precise and detailed. Unfortunately, inquiries received from India are mostly so vague that no definite step could be taken with regard to them. The manufacturers here generally refuse to take notice even of such vague inquiries. I would, therefore, request that the following points should be fully dealt with in submitting any inquiry for machines and pants:—

1. What kind of raw produce to be used, its composition, its price, etc., preferably sample, to be sent?
2. What kind of finished products to be manufactured, their class and nature, size, quality, etc., and preferably sampes to be sent, if possible.
3. What output of the finished products per shift of 8 hours reuired?
4. What kind of power to be employed, hydraulic, steam, electric, or Diesel engine? What kind of power is available at the locality where the industry is to be started and what is its cost?

   What fuel is to be used for producing power: coal? crude oil? water-fall? wood? or any other fuel? What is the condition of water-supply at the locality?
5. Is already a factory shade existing? If so, its sketch and dimensions to be given. If not site of the factory to be be described.
6. The nature of labour available, skilled and unskilled, and the wages should be mentioned, if possible.
7. If the new project is to be an extension of an existing industry, the existing factory should be described in detail.

Any other details in this connection wil never be too much. In fact, the more thorough and precise the inquiry is, the swifter and easier will be the transaction.

I would also like to repeat my request, namely, that all correspondence should be done through air mail and a copy should be sent by ordinary mail.

From the recent inquiries for machines received by me from India, it appears that there is a considerable demand for machines in the following lines:—

1. Textile—cotton.
2. Textile—wool.
4. Cement.
4. Paper.
5. Sugar.
7. Rolling mills, etc.
6. Agricultural machines.

Federation's office in Berlin will always be trying its best to help new industrial enterprises with information and arrangement of all possible facilities from Germany."

Copy of the Report No. 5 dated 30th October, 1936, from Dr. K. L. Ganguly, to the Federation.

"In continuation of my letter of the 9th instant, No. 49 enclosed I am sending you specially collected statistics which will give you German official figures* regarding import of raw-produces into Germany during the years 1931-35 in tons. I have selected the principal raw-produces which India exports and also the principal countries which compete with India in exporting these produces to Germany. There may be a few other countries which also export the same articles to Germany, but the volume of their export is negligible. I have, therefore, left them out of consideration.

Regarding Groundnut.

For this report, I have taken the main heading—Oil-fruits and Seeds. Groundnuts fall under this heading, and groundnuts form the principal item of Indian export to Germany in this branch. I have taken the main heading, because thus the export figures of other countries in this branch could be compared. They all serve the same purpose, namely, recovery of oil for margarine, soaps and chemical industries, and manufacture of oil-cakes.

Regarding Jute, Hemp, and Flax.

In the same way, I have taken the main heading, namely, Jute, Hemp, Flax, and such Fibres. India is the only country which exports jute. These figures give an idea of the import into Germany of fibres of similar nature from other countries as well. There is a strong tendency in Germany to diminish the import of these fibres by substituting artificial fibres. But the attempt to substitute jute is not yet successful.

Regarding mineral Ores and Ashes.

India exports mainly manganese and copper ores. Norway and Sweden export iron ores. Mexico exports zinc ores. Russia competes with India in the export of manganese ores and British South Africa in copper ores. If you desire I might send you a detailed list of export of different mineral ores to Germany.

Regarding Oil-cakes.

It is significant that oil-cakes used to be exported by British India, China and Dutch-India in very large quantities up to 1933. The 1934 figures of all these countries have dropped precipitously, whereas the figures of Argentine and Rumania, though diminished, are not so disastrously low. Argentine and Rumania could maintain their figures to some extent because they have clearing arrangements with Germany.

Regarding cotton.

Demand of cotton in Germany has increased tremendously. But export of Indian cotton to Germany has not improved. On the other hand, all other countries like Egypt, Belgian Congo, Turkey, Argentine, and China have improved their exports considerably. In fact, new countries like Turkey, Brazil and Iran have stepped in to export cotton to Germany and their export figures are rapidly rising. The reason of this particular phenomenon also lies in the fact that these countries have got clearing arrangements with Germany. The reason why export of American cotton to Germany has dropped is: firstly, American cotton because of its quality commands a high price which Germany is too poor to pay. Secondly, Germany is more interested to utilise her slender foreign currency for buying American petrol than her costly cotton.

Regarding Rice.

The British Indian export of rice to Germany has steadily declined since 1931 and that of Italy has increased from 11.022 to 42.061 tons per year and I believe, due to the present political and economic understanding between Germany and Italy, Italy will be exporting more rice to Germany at the loss of Asiatic countries. The figures of Siam have remained steady whereas those of Dutch India have considerablv declined. Another reason why the export of rice into Germany has declined lies in the fact that the German Government do not encourage the consumption of rice because it is a foodstuff to be exported from outside and is not regarded to be of vital necessity to Germany.

Regarding Tea.

German Government equally discourage the use of tea because it is also not regarded as an article of vital necessity for the German people.

Clearing Arrangements.

Germany has entered into clearing arrangements with almost all the European countries except England and Portugal and also with a few countries in South America. The main principle of this arrangement lies in exchange of goods. The clauses of the clearing arrangements with each different country are different because they are framed according to the exchange possibilities of such country. If you are interested I will make a detailed statement regarding German clearing arrangements in one of my next reports. It is significant that the countries with which Germany has entered into clearing arrangements have steadily improved their export to Germany. In fact, India is losing her ground in competition with these countries because India has no clearing arrangement with Germany.

In the statistics enclosed, by Dutch India I mean Dutch possessions in Indian Ocean inclusive of the independent East Indian Islands such as the Borneo Group, Celebes Group, etc.

Regarding the export trade of India with Germany.

One has to take into consideration the principal fact that this trade now-a-days can only be carried on the basis of private compensation. By private compensation, I mean, private firms, importing German goods into India, barter their deals with Indian raw produces which are also exported by individual private firms into Germany. The importers of German goods pay their money directly to the exporters of Indian raw produces, might be through some banking arrangement. Germany does not import Indian raw produces if an equivalent object of German export to India be not forthcoming. It would be alright if all the German exports to India were bartered with Indian exports to Germany. But that is not the case. There are a large number of articles, such as dye-stuffs, pharmaceutical products, certain chemicals, certain hardwares, etc., in which Germany has got no fear of competition. Such articles are not permitted to be bartered with exports of Indian raw produces. Germany is interested in getting foreign currency by selling these articles to India. So, automatically Germany is getting a favourable trade balance by exporting these articles without equivalent export of Indian raw produces. Then again, all the exports of German goods to India which are permitted to be compensated are not bartered with exports of Indian raw produces. There are numerous cases where the exports of German products to India are bartered with imports into Germany of articles from countries other than India such as Egyptian cotton, American petrol, various English goods, etc. This means again a loss to India as far as possible Indian export to Germany is concerned. There is still another factor to be taken into consideration as regards Indian export to Germany. The German goods are imported into India mainly for the consumption of Indians. The British firms in India as a rule do not import German goods, nor do the Britishers consume German articles. The import of German goods into India is mainly carried on either by German firms sitting in India or by Indian firms. In fact, the bulk of this trade is carried on by the Indian firms. But the cream of Indian export trade with Germany goes to the British firms because they can take full advantage of the situation. The bulk of Indo-German Import and Export Trade, therefore, automatically passes through British firms . This state of affairs is so disastrous for the Indian merchants that, though the Indian export to Germany has not deteriorated much since 1933, still the Indian exporters who were carrying on before a big volume of export trade with Germany have in the recent last two to three years been forced to be content with a small portion of it. The reason lies in the fact that the Indian firms are not protected by any consulate nor by the Indian Government's representatives in Europe nor by any central organisation of their own. In my opinion it is a duty of the Federation of Indian Chambers of Commerce and Industry to take an initiative in the matter and try its best to bring back into the hands of Indian merchants their lost export trade with Germany.

I have studied this situation very clearly and I believe if the Federation of Indian Chambers of Commerce and Industry co-operate with me fully and furnish me with sufficient authority, power and materials it is not an impossible job to arrange the matters so that in near future all the German exports to India shall be bartered with only such exports of Indian raw produces into Germany which are carried on by purely Indian merchants.

I shall appreciate it highly if you will kindly circulate this report among the body-members, members, and members of the Executive Committee of the Federation."

Copy of a letter No. F. 1574 dated 3rd December, 1936, from the Federation to Dr. K. L. Ganguly, Germany.

"As you are aware, the question of continuance of the office of the Federation in Germany for a further period ending 30th June, 1936, was referred to the Member-bodies of the Federation for expression of opinion. Taking note of the views expressed by the Member-bodies on this question, the Committee of the Federation, that met here on the 29th November last, decided to continue the office of their Representative in Berlin for a further period of one year ending 30th June, 1937.

I am arranging to forward to you a Demand Draft on London for a sum equal in value to Rs. 750 being the first instalment towards the working expenses of your Berlin office for the year 1936-37."

Copy of the Annual Report dated 24th November, 1936, submitted by Dr. K. L. Ganguly, to the Federation.

"I beg to submit herewith a report of my activities as Representative in Germany of the Federation of Indian Chambers of Commerce and Industry during 1935-36 up to October, 1936.

As I informed you in due time I reached Berlin on the 2nd July, 1935, and took up my work in Germany. Before leaving India on the 20th

June, 1935, I had a two weeks' stay in Bombay and called at various Chambers of Commerce affiliated to the Federation, and had interviews with prominent businessmen and members of the Federation in order to have an idea of the services they wanted from me in Germany. I had done the same in Calcutta before leaving that city in the first week of June 1935.

I possessed a fair knowledge of Germany and German affairs before my arrival in Berlin due to my previous stay and activities in this country for several years. In spite of that I had to devote considerable time and energy to establish my footing as Representative of the Federation of Indian Chambers of Commerce and Industry. It was especially difficult to do so because my predecessor, the late lamented Mr. Pillai could unfortunately leave nothing behind which could in any way be helpful to starting my work. There was no trace of his office nor any record thereof, nor was there any possibility to find out the connections he had. I had to start everything from the very beginning.

My first duty was to establish connections with such Governmental Authorities and various official, semi-official and economic organisations which come in question for Indo-German trade. Unlike any other country Germany is fully organised even in the minutest affair. I am glad to state that I received the fullest possible support and co-operation of all such offices in my work as Representative of the Federation in Germany. I reported this matter to you and the plan of my work through my first Report dated the 24th October, 1935.

With the small means that I had at my disposal I could not naturally, achieve results as quickly as I wished to. I had to devote several months and work very hard before I could come to the stage of establishing a proper office of the Federation. Through my Report No. 2, dated the 24th April, 1936, I informed you about the establishment of my office with a suitable staff. Since then my work has developed very quickly and satisfactorily. It is with the help of this office that I am now able to be of great use to Indian merchants and industrialists. How this work has developed is evident from my Reports No. 3, 4, and 5 issued on the 10th June, 1936, 10th September, 1936, and 30th October, 1936. The last Report No. 5 was sent to you only as it was in reply to your enquiry of the 18th September, 1936. The Reports No. 3 and 4 were, however, sent to all the members and body-members of the Federation per air mail and to many prominent merchants and industrialists of India per ordinary mail. I took this step in order to bring to the merchant community of India the important messages that I wanted to give them as quickly as possible. In my Report No. 3 I informed you that the conditions in Europe and specially in Germany are changing so fast that any information submitted even through ordinary post, which last nearly three weeks to reach India, is of little value. For instance two weeks ago the German Government suddenly introduced a measure that no export object from Germany under RM. 50,000 is allowed to be compensated unless a sanction was already given before the 5th November, 1936. Such information should immediately be communicated to the Indian businessmen because most certainly before that time there were numerous compensation deals pending between Germany and India whose worth was not more than RM. 50,000. The German Government Circular dated the 5th November, 1936, must have struck all these deals very unfavourably. But Indian merchants ought to understand that it is possible to have exceptions to such sweeping rules and they ought to make use of my office in order to get special sanctions if any deal is wanted very urgently. It is, therefore, necessary that the Body-Members of the Federation and such Indian merchants who carry on business deals with Germany should remain in direct touch with my office so that they might derive the best benefit at a particular moment for their business deals with Germany.

In my Reports I have frequently mentioned that such Reports would be periodically issued but since the establishment of my office and since the issues of the Reports No. 3 and 4 I am so much overladen with work on behalf of the Indian business men that it is difficult for me to be punctual in the issue of my periodical Reports which also entail enormous costs. Numerous enquiries and requests are constantly communicated to me from individual Body-Members and Indian business men, each and everyone of which I have to attend swiftly and satisfactorily. Enquiries of general nature and of general interest are sometimes dealt with in my Reports. A copy of my correspondence of an enquiry of such interest for Indian export trade with Germany was sent to you in due time.

I am glad to inform you that my activities have been useful to a large number of Indian merchants and industrialists. A number of Indian business men who visited Germany kindly called at my office personally and took my help in their business and economic activities. It is a great satisfaction for me that it has been possible for me in all such cases to be of substantial help to such gentlemen.

One of the leading personalities to whom I could be useful in this way in Germany was Mr. Nalini Ranjan Sarker, President of the Bengal National Chamber of Commerce and a member of the Executive Committee of the Federation, who spent a few months in Europe for studying the economic situations.

On several occasions I was asked to intervene on behalf of Indian merchants in business disputes. These were mostly cases where Indian merchants advanced money to German firms but could not get the goods delivered properly. My intervention has helped them in all such cases satisfactorily. I have also several cases in hand where money due to Indian merchants is locked up in Germany and I am helping them to get their money free. Various Indian firms also request me to negotiate on their behalf in order to secure advantageous terms with the German manufacturers or importers of Indian produces. My activities on their behalf have been very helpful to them. As a result of all these activities I have received a large number of letters of appreciation, which, however, I would prefer refraining from enclosing herewith.

It is well known India is very rich in natural and agricultural resources and her enormous trade with the world consists mainly in the export of animal, vegetable and mineral raw-produces which are badly needed by a highly industrialised country like Germany. But in Germany there is almost incredible lack of knowledge regarding India's capacity to export her products to Germany. I constantly point this out to the authorities and economic organisations and suggest to them new lines of export from India which Germany needs badly. With adequate response from the Indian side various new lines of export from India could be developed. It is necessary that really able firms in India would make use of such new channels of export, and seek the help of my office in that respect. My activities in this connection should now be well known for I keep the Indian merchant community regularly posted about these possibilities through my reports.

India could easily increase her exports to Germany to a considerable extent if her export activity could be directed in proper way. For instance, I have pointed out already several times that Germany has imported oranges from Spain alone worth about 40 million Reichsmark and now that Spain can't do it, India could easily take up this line. In fact, already a scarcity of oranges in German market is keenly felt. If there were positive response forthcoming it could easily have been arranged that a number of Indian export firms would be exporting oranges to Germany. The same applies to export of wheat and mineral ores to Germany.

With the help of the statistical bureau attached to my office and through my connection, I hope to be soon in a position to give forecasts of articles demanded not only by Germany but also in other European countries. The Indian Export Trade to Germany has good prospects of enlargement. There exists a tendency between all States to equalize the balance of trade, hence, the larger the quantity of certain products of one country which another requires, the greater the possibility of the second country to export her goods to the first. India requires machines for her newly starting and existing industries in lines which she can extend her export to Germany. In India there is a general tendency to buy machines primarily from Germany and it is right so for Germany is unique and unrivalled in this branch. The extraordinary need of India for industrialisation is evident from the fact of the numerous enquiries I constantly receive from India for all sorts of plants such as: Cement factories, Sugar plants, manure manufacturing plants, textiles machines, automatic machines etc. This demand for factory plants and machines of all kinds, etc. whose worth wil easily amount to several milions per year ought to be taken as basis for an increased export of Indian raw produce to Germany.

But how to realise this idea into practice? If there were a normal and free currency rule in this country, it would have been an easy task. But due to Germany's inability to pay her foreign obligations in free foreign currency in which she totally lacks, and due to her imperative internal necessity to maintain the gold standard of her currency fictitiously, the problem is not at all easy. There are intricate rules governing the currency. As I reported repeatedly, it is impossible for the Indian merchants, in fact for any foreigner to be well acquainted with these questions. But I have made a special study of this situation and if only I receive proper response from the Federation and her Body-Members it is possible for my office to develop the transactions so that for all the machines and commodities bought by India, from Germany, Indian Export to Germany be benefited. Not only so, as I reported last year I carried on negotiations with the Reichswirtschaftskammer last year regarding admission of Indian apprentices in German factories. I received definite promise officially that Germany shall be prepared to admit Indian apprentices into German factories in proportion to the purchases made by India in Germany. But no advantage of this offer could be made use of because there was no adequate response from the Indian side. I am, however, trying just at present to get two Indian students admitted into German Industries.

The Federation of Indian Chambers of Commerce and Industry is the only central organization of the Indian Merchant Community through which the latter can derive the fullest possible advantage of trade with foreign country. I as accredited representative of the Federation in Germany should be the medium for this work. But my office and my services can only be fully effective if I would be strengthened by proper support and co-operation of the Federation and her body-members. Whatever strengthens my position here is also a source of strength and advantage to the Indian Merchant Community. If I am thus strengthened it will be possible for me to achieve the object which I have placed before me. I am still far from it. My object is firstly the transference of Indian Export trade with Germany mainly into the hands of the Indian merchants (kindly refer to the last paragraph of my report No. 5 in this connection) and secondly my office should be so well organized that it would be in a position to help the Indian merchants to have their business transactions with Germany without any obstacle or at least the Indian merchants should enjoy the same facilities as are done by merchants of other countries.

I have done a good preliminary work in this direction and in order to enable me to complete my work it is essential that not only Federation supports with more power, better co-operation, and larger materials, but that I should not be subjected to the suspense of having my office all of a sudden being cut off through discontinuance of my term of office. One year's term for this office is too inadequate and it should be extended to much larger period, if your representative should be really useful to the Indian Merchants' Community by organizing his office properly and developing his activities so far that he might achieve his object at least partially to the immense benefit of Indian economic life."

Copy of a circular letter No. 1571 dated 3rd December, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to forward herewith a copy of Annual Report submitted by Dr. K. L. Ganguly, for your information. The report will be considered by the Committee at their next meeting and if your Committee has any observation to make in respect of the accompanying report I shall be glad to have them before the 31st of January, 1937."

TRADE WITH GERMANY

(The old cossespondence is reproduced here to give previous reference to this subject).

Copy of a telegram dated 24th December, 1934, received from Mr. M. Jamal Mahomed, Madras.

"To-day telegraphed following Secretary State High Commissioner Viceroy Commerce Member Stop. Request similar action from Federation very urgently Stop gravely alarmed at setback facing export trade with Germany accentuating depression stop India neither enjoying share in British quota nor separate arrangement stop further serious agrarian industrial distress likely unless negotiations for separate treaty with Germany undertaken immediately."

Copy of a letter No. F. 1308 dated 25th December, 1934, from the Federation to the Secretary to the Government of India, Commerce Department, New Delhi.

"I am directed to state that Indian exporters are experiencing great difficulties in their trade with Germany owing to certain restrictions placed by the German Government upon foreign imports. I understand that when the British manufacturers experienced certain difficulties in their export trade with Germany, the Government of the United Kingdom made certain arrangements with the German Government under which certain quotas were allotted to British exporters for exporting manufactured goods to Germany. The Committee of the Federation, therefore, suggest that the Government of India should explore all avenues of negotiations with the German Government with a view to come to a certain quota arrangement to facilitate export of Indian goods to Germany. The Committee trust that the Government of India in the Department of Commerce will give their immediate and serious consideration to this question and will start negotiations with the German Government for a trade treaty with a view to afford sufficient facilities for the normal export of trade from India to Germany and that they will be pleased to acquaint the Committee with what steps they have taken in this direction."

Copy of a letter No. F. 1302 dated 25th December, 1934, from the Federation to Mr. M. Jamal Mahomed Sahib.

"I am in receipt of your telegram regarding the export trade with Germany and the matter is being represented to the Commerce Department of the Government of India. I am enclosing a copy of the representation for your information. I will also speak to the Commerce Member about this when I happen to be in Delhi next time."

Copy of a letter No. 35-C(14)/34, dated the 14th January, 1935, from the Government of India, Commerce Department to the Federation.

"With reference to your letter No. F. 1308, dated the 25th December, 1934, on the above subject, I am directed to say that the matter is receiving the attention of the Government of India."

Copy of a letter No. F. 114 dated 22nd January, 1935, from the Federation to Government of India, Commerce Department.

"In continuation of my communication No. F. 1308 dated 25th December, 1934, I am further directed to inform you that the tanned skins and hides trade in Southern India is much perturbed over the difficulties it is at present meeting in its export trade with Germany in tanned skins and hides. As you know, our exports in these commodities are to the value of nearly six crores and about 80 per cent. of this is exported to London from where it is sold through public auctions to other countries. This entrepot trade is going on in London for a long time and constitutes an important article amongst the British entrepot trade. Germany is a very substantial buyer of tanned skins in London and the result of the recent Anglo-German agreement has been that the Indian export trade is experiencing serious difficulties and if the situation is not handled immediately, the Indian tanning industry may suffer irreparable loss and may even go out of the export trade business with Germany. As you know, the Anglo-German payments Agreement has excluded all articles from the Dominions and India and is mainly meant for the export trade of the products of the United Kingdom and the Colonies.

The export of raw Indian cotton to Germany has also suffered owing to there being no agreement between Germany and India regarding payment for goods exported to Germany. I trust the Government of India will examine the whole export trade of India with Germany and will endeavour to assess the extent of handicap which the Indian export trade is experiencing under the present circumstances and will open up negotiations with the German Government to secure normal facilities for Indian export trade. We cannot ignore that Germany has been an old and substantial consumer of some of our important articles of export trade and as such, we can ill afford to lose her. I shall feel much obliged if the Government of India will investigate the case with a view to secure relief for an important Indian industry.

I understand that the Government are preparing certain statistics regarding the export and import trade between Germany and India and shall be glad to have a copy of these for the use of my office."

Copy of a letter No. 35-C(15)/34 dated 6th March, 1935, from the Government of India, Commerce Department to the Federation.

"I am directed to refer to your letter No. F. 114 dated the 22nd January, 1935 on the above subject and to say that the matter is still under the consideration of the Government of India."

Copy of a letter No. F. 827 dated 23rd May, 1935, from the Federation to the Government of India, Commerce Department.

"I am directed to invite your attention to your letter No. 35-C(15) dated New Delhi, the 6th March, 1935, and to enquire whether any progress has since been made regarding this subject."

Copy of a circular letter No. F. 1487 dated 12th November, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to invite your particular attention to a paragraph in Dr. Ganguly's Report No. 5 relating to the export trade of India with Germany, a copy of which I am forwarding herewith for your ready reference. Dr. Ganguly, after explaining how in the export and import trade between India and Germany, Indian firms are handicapped in view of certain compensation arrangement between Germany and other countries dealing with it, suggests that the export and import trade between India and Germany should be so arranged that in future all German exports to India are bartered with such exports of Indian raw produce which are carried on only by Indian merchants. As the Committee, while considering Dr. Ganguly's Report, would examine the proposal put forward by him in this connection, they would be glad to have the views of your Committee on this particular suggestion, to reach me before Friday the 27th November, 1936."

Copy of a circular letter No. F. 86 dated 11th January, 1937, from the Federation to Members of the Committee.

"I am directed to invite your special attention to the report submitted by Mr. S. N. Gupta, India Government Trade Commissioner in Hamburg for the year 1935-36 which was released to the public during December last. The Trade Commissioner, after examining the trend of important political and economic developments in Northern Europe and their inevitable reactions on Indian trade with those countries, has drawn particular attention of the Government of India to the position of India's trade with Germany which has been deteriorating during the last three years. He has further stated that one of the main factors that has put India in a disadvantageous position with Germany is the absence of any trade agreement with that country. It is, therefore, felt that a communication be addressed to the Government of India on this question. I am accordingly enclosing a draft representation for your approval. I shall be much obliged if you will be good enough to communicate to me any alterations which you desire to be made in the draft, to reach me by Thursday, the 21st January, 1937."

Copy of a circular letter No. F. 117 dated 15th January, 1937, from the Federation to all Member-bodies and Members of the Committee.

"I am directed to enclose a copy of a letter addressed by the Acting Consul-General for Germany to Mr. D. P. Khaitan, President, regarding the supply of certain raw materials to Germany. The Acting Consul-General for Germany desires to have an indication as regards the ways and means as to how such transactions might be initiated between the two countries. I shall, therefore, thank you to discuss this question with such of your constituent members as are interested in the trade with Germany and to communicate to me any suggestions which, if accepted by the German Government, would encourage greater trade between the two countries in the export of commodities indicated in the letter. Your reply should reach this office by Saturday, the 30th January, 1937."

Copy of a letter dated 11th January, 1937, addressed by Mr. E. von Selzam Ag. Consul-General for Germany, to Mr. D. P. Khaitan, President.

"I am given to understand that Germany is at present in need of certain raw materials, especially rubber, and certain metals such as copper, lead, tin, zinc and others, all of which are to be found in India. I am convinced that any suggestions which I may be in a position to place before my Government as to any quantities of these ores, or of rubber, to be imported into Germany, which would be paid for by an import of German goods into India, independently of the ordinary and regular trade between our two countries, would find their approval and support.

I am wondering if you could possibly indicate ways and means how any such transactions might be initiated. Perhaps it may be useful if the contents of this letter would be circulated amongst the member Chambers of your Federation.

Thanking you in advance for any suggestions."

Copy of a circular letter No. F. 156 dated 22nd January, 1937, from the Federation to the Government of India, Department of Commerce, New Delhi.

"I am directed by the Committee of the Federation to forward, for the consideration of the Government of India certain observations which they desire to make as arising from the perusal of the Report submitted by the Indian Government Trade Commissioner in Hamburg on the work during the year 1935-36.

2. The Committee, in submitting these views, have before them particularly the position of India's export trade with one of the principal countries on the continent, namely, Germany. India's trade relations with Germany in the past were of great advantage to this country in so

far as they were utilized in securing a favourable balance of trade which enabled this country to faciliate her payments abroad. The following table will give an idea as to the export trade of India with Germany and the balance of trade which she is having with Germany during the last 7 years.

INDIA'S EXPORT TRADE WITH GERMANY.

(In crores of rupees)

	1929-30	1931-32	1932-33	1933-34	1934-35	1935-36
Total export trade	310.8	155.9	132.4	146.3	151.2	160.5
Exports to Germany ...	26.6	10.3	8.6	9.8	7.0	8.7

The balance of trade between the two countries is:—

1929-30.	1931-32.	1932-33.	1933-34.	1934-35.	1935-36.
+10.8	+0.1	−1.8	+0.8	−3.1	+3.7

It will be seen from the above table that India's exports to Germany which were to the extent of Rs. 26.6 crores in a normal year like 1929-30 have come down in value to Rs. 8.7 crores in 1935-36. Of greater concern is the balance of trade between the two countries indicated in the above table. In 1929-30, India had a favourable balance of trade with Germany to the extent of Rs. 10.8 crores. Since 1931-32, that is during the last five years, India has not only lost her active trade balance with Germany but she suffered to the extent of Rs. 3.1 crores in 1934-35 further aggravated to Rs. 3.7 crores in 1935-36. It must further be remembered that the the articles of export to Germany are mainly raw materials required for purposes of indostrial prodoction and the industrial production in Germany has tremendously increased during the last two years, 1934 and 1935, in spite of the halting progress of international trade. India, in spite of being in an advantageous position as a supplier of raw materials, lost her position altogether with Germany.

3. The explanation for such a phenomenon is to be found in the policy of economic nationalism which gained momentum in Germany during the last three years and along which came certain new methods which restricted trade between Germany and her customers abroad. The Committee do not desire to discuss the merits or demerits of the policy followed by Germany in her trade transactions with other countries. The policy of utilizing clearing agreements in a country's import and export trade works exactly in the same way as the policy which a country follows by the institution of either quotas or customs duties. The cuntry following such a policy tries to modify systematically the old channels of trade in Germany, we find that by entering into clearing agreements with South American countries, she has created new channels for her export trade with those countries. Discussing the position of Germany in the Review of World Trade, 1935. it is stated that nearly 60 per cent. of German exports in 1935 was directed to countries with which clearing agreements were in operation and 20 per cent. was directed either by way of direct barter or through the system of individual clearing accounts (known as

ASKI) by which a foreign exporter to Germany receives payment in the form of bank balance in Germany which he can subsequently dispose of to any importer of German goods in his own country. Only 10 per cent. of the total German exports was transacted through free foreign exchange. The position as reviewed in the League of Nations publication, "Review of World Trade" leads the Committee to urge the Government of India to consider seriously the position of India's trade with Germany, and to investigate the possibility of entering into a clearing agreement with a view to maintain India's old trade relations with that country.

4. The new plan which the German Government has introduced during 1935 aims at the balancing of imports against exports, the latter paying for the former. It will be seen from the figures of Germany's balance of trade with India since 1932 as given by the Indian Trade Commissioner in Hamburg that the balance of trade in favour of India has come down to 10 million Rm. for the year 1935 from 49 million Rm. in 1932, 67 million Rm. in 1933 and 40 million Rm. in 1934. On further examination, it is evident that the present position is due to the deterioration in imports into Germany from India, while exports to India from Germany have been going up. The position of German imports into India is safeguarded by the operation of the Exports Subsidies Fund which the Economic Minister and the President of the Reichsbank, Dr. Schacht, raised during 1935. Trade between India and Germany has been almost entirely carried on a barter basis as far as India's exports into Germany are concerned and cash payments are permitted by the authorities in extremely urgent cases and in the majority of cases, Indian exporters have to find out ways of compensating their transactions against exports to India of German manufactured goods. The restrictions which the German Government have further placed on such compensation business are such as to make it impossible for a country which has no clearing agreement with Germany to secure any improvement in its trade transactions with Germany.

5. The Committee would like to invite the attention of the Government of India to definite disadvantages accruing from the absence of any clearing agreement between India and Germany. The Indian Trade Commissioner in Hamburg, in Chapter III of his Report, dealing with commodities, has made some definite assertions which, the Committee hope, would be examined by the Government of India. In respect of export of raw jute to Germany, the Trade Commissioner remarks:—

> "During the course of 1935, compensation business became increasingly difficult to conclude. The control authorities became less and less accommodating in regard to the payment of premiums in connection with jute purchases, the supervision over prices growing stricter every month; moreover, business on a triangular basis, i.e., via a third country, came to be viewed with great disfavour by the authorities, who eventually placed a prohibition on this system of trading."

6. In respect of export of gunny bags from India, while Holland, Begluim and Norway and other Scandinavian countries purchased sub-

stantial quantities of gunny bags, her exports to Germany systematically decreased during the last three years. Commenting on this, the Trade Commissioner says, "this decline cannot be avoided in the present economic and monetary conditions prevalent in Germany. Foreign exchange permits would certainly not be granted for the importation of jute manufactures nor would such manufactures be regarded so vital as to permit of barter basis on an one-to-one basis."

7. With regard to export of raw cotton from India, it will be seen from the Report that imports of Indian cotton into Germany declined by 20 per cent. in 1935 as compared to the imports in 1934. This was due to the fact that cash transactions during the year 1935 were seldom, if ever, permitted by the control authorities, and that the business was confined almost solely to barter transactions. In the absence of any clearing agreement between Germany and U. S. A., shipments of American cotton also showed a considerable decrease in 1935 as compared with previous years. But it is worth noting that Brazil has leapt into the forefront as the chief supplier of cotton to Germany and this was made possible by the clearing agreements in force between Germany and Brazil, which made the former to practically supply one-third of Germany's total imports in 1935. Similar is the case in the case of imports into Germany in rice—either polished or unpolished—and here too because of a definite agreement between Germany and Holland, the latter was able to supply the largest quantity of polished rice to Germany in 1935. India suffered in her export of unpolished rice to Germany very considerably in 1935, while Italian rice secured a privileged position in the German market due to a clearing agreement with Germany. It is not necessary for the Committee to quote further instances from the Trade Commissioner's Report to indicate that India's export trade with Germany has suffered during the last three years owing to the absence of any clearing agreement with that country, and the Committee trust that the Government of India would be pleased to consider the position of India's trade with Germany and the disadvantages to which it is put owing to certain restrictions placed by the German Government on the imports from countries with which it has no definite clearing agreements and investigate the possibility of entering into a trade agreement with Germany with a view to secure improvement in India's export trade with that country. The Committee further trust that the consideration of this question will not be deferred till the conclusion of the Indo-British Trade Negotiations but would be taken in hand without delay. The Committee will much appreciate an early indication of the Government of India's point of view on this important question."

Copy of a letter dated 26th January, 1937, from the Consul-General for Germany, to the President, Mr. D. P. Khaitan, of the Federation.

"Let me thank you for the interesting talk I had with you the other day. I am returning the draft of a letter of the Federation to the Government of India, which I have perused with great interest. It has since been dispatched, as I found it published in the "Hindustan Times."

I should be much obliged if you would see your way also to let me have a copy of the draft of the letter of the Indian Chamber of Commerce, which document would of course be treated with the strictest confidence.

Kindly permit me to say a few words in reference to the Federation's remarks regarding Germany's alleged economic nationalism. Our foreign trade policy is strictly guided by two principles.

1. Under no circumstances to buy more raw materials and food-stuffs than we are able to pay for. This means—since Germany has no reserve of gold or foreign exchange to fall back on—that she must finance her imports through her exports. She will have to curtail her imports from those countries who—due to depreciated currencies, high tariff-walls and other obstacles to normal trade such as for instance also an unwillingness to receive German goods—render it difficult or even impossible to export. She however expects gradually to purchase more raw materials and food-stuffs from those countries who are willing to take her industrial products. This I am happy to say is taking place at the present moment as to our trade with India.
2. But there is another principle, which has a most deciding influence as regards our imports, i.e., that we will try to the utmost to meet our foreign obligations, which as you probably know amount to enormous sums. They—to a great extent—are former political debts (reparations) which were converted into private debts. They however can only be paid with any surplus of our exports over the imports. We do not want these private creditors to loose. It is therefore also for the sake of these creditors—amongst them I am sure there are also Indians—that we have adopted a foreign trade policy which unfortunately so often is called 'economic nationalism by foreign critics.'

Therefore in so far as Germany—in view of the two aforementioned guiding principles—is not able to provide sufficient raw materials or food-stuffs from abroad, she is making all possible efforts to produce substitutes within her own borders. It is a policy not guided by motives of self-sufficiency training for war purposes or any such thing, but by the indispensable need of a general active trade balance in order

(a) to be able to buy and pay for raw materials.

(b) to meet our foreign debt-service.

It also necessarily follows, that Germany is ensuring the import of the most important products and forcibly neglecting—for the time being—the less important ones. However with the improvement of the German exchange situation, the number of goods which are at the moment suffering from the 'cutting down' policy will naturally become less and less.

The ideal solution regarding the trade between Germany and India, would in my opinion be represented by a mutual exchange between the two countries, whereby Germany would cover her entire requirements by taking the traditional and possibly additional Indian exports, in exchange for which India would place orders in Germany.

It may be again said, that no one has condemned unlimited autarchy and upheld the necessity of flourishing international trade relations with greater emphasis than the German Chancellor.

As to our general foreign trade policy, your attention may be drawn to the enclosed copy of an article written by Herr Hubbe, President of the Hamburg Chamber of Commerce and Industry, which appeared in the 'Capital' of January, 14, 1937. Regarding trend of the trade between India and Germany, I beg to draw your attention to the enclosed two reprints of articles which have appeared in the 'Indian Finance' of August 1, 1936, and January 9, 1937. They also give the reasons why the German statistics are to be considered more exact than the Indian statistics.

Any additional copies of these reprints which you may like to have could easily be supplied.

You also wished to be informed where details could be had as to the regulations regarding private compensation deals between Germany and countries which have not concluded payment or other clearing agreements with Germany. They are to be found on pages 739 to 746 of the Indian Trade Journal dated 13th August, 1936, and on page 1440 of the Indian Trade Journal dated 17th December, 1936. The lists given in the former are not quite up to date, however they are nearly complete. The latest lists are available at this office for possible reference. They should appear in translated form in one of the next issues of the Indian Trade Journal.

Perhaps it will be possible somehow to use the content of this letter in connection with the draft of the letter to be sent to the Government of India by the Indian Chamber of Commerce, Calcutta."

Copy of a letter dated 2nd February, 1937, from Mr. D. P. Khaitan, President, to the Consul-General for Germany.

"I thank you for your letter of the 26th ultimo which is quite interesting. As representations have already been sent to the Government of India both by the Federation of Indian Chambers of Commerce and by the Indian Chamber of Commerce, Calcutta, I shall now have to wait for further developments. In the meantime I am also endeavouring to see if any private arrangements can be made to bring exporters and importers in clearing arrangement locally."

INDIAN POSTAL REGULATIONS RELATING TO BOOK PACKETS

Copy of a letter addressed by the Associated Chambers of Commerce of India, Calcutta, dated 5th October, 1936 to the Director-General of Posts and Telegraphs, Simla, and endorsed to the Federation.

"I am directed by the Chambers in the membership of this Association to address you on the subject of the Indian Postal Regulation, relating to book packets, in the hope that early and favourable consideration may be given, in the mutual interests of the commercial community and the Postal Department, to the question of bringing these regulations more into line, at the earliest opportunity, with the corresponding regulations obtaining in the United Kingdom.

2. The need for such action was brought into prominence by the correspondence which passed, towards the close of 1935, between the Chamber of Commerce, Bombay, and the Postal Authorities there, in connection with the refusal by the latter to accept as book post 18,000 copies of a general circular issued by a member of the Bombay Chamber to Doctors in India. The main portion of these circulars was identical, the only difference in the copies being the insertion of the name and address of the addressee. The ground on which the packets were declared inadmissible as book packets under clause 57 (7) of the Indian Postal Regulations, was that the documents were not precisely identical copies, in that the name of a person had been added to each of the copies of the printed circular, thereby transforming them into personal letters which were liable to the letter postage. It would appear from the correspondence that as a result of subsequent letters and interviews on the subject, with the Postmaster-General, Bombay, the Posts and Telegraphs Department relaxed the regulations to the extent of permitting the despatch of circulars addressed "Dear Sir" "Dear Madam" or other general forms universally followed in a particular batch of identical circulars issued, on which could be impressed, simultaneously with the circular being run off, the name and address of the addressee. The Department would not, however, although conceding all the other points raised, agree to permit circulars to contain a more personal form of address such as "Dear Dr. Smith." The regulations in force in this respect in the United Kingdom were then brought to the notice of the Director-General who, nevertheless refused to modify his attitude in the matter.

3. In directing attention to the accimpanying copy of the United Kingdom Regulations relating to the inland printed paper rate, I have to point out that these regulations permit (a) the inclusion of the name and address of the addressee in circulars sent at the printed packet rate and (b) the letter being commenced with the courtesy opening phrase of "Dear Dr. Smith"—the phrase "Dr. Smith" coming within clause 3 (a) (2), while the word 'Dear' would come under clause 3 (a) (9) enabling the use of conventional or courtesy phrases not exceeding five words. Further it has been reported that a facsimile signature is permissible as part of the reproduced matter and is not regarded as being in writing.

4. While readily admitting that a literal interpretation of the Indian regulations would preclude the possibiity of circulars, such as those forming the subject of this letter, coming within the scope of these regulations, the Chambers feel that the time has come for the Posts and Telegraphs Department to advance with the times and so alter the Indian book-post regulations as to permit of commercial business houses taking advantage of modern methods of producing multiple copies of circulars which give such circulars a more personal appearance than the ordinary printed circulars. That it is not the intention of the Posts and Telegraphs Department to discourage the adoption of the most up-to-date means of advertising, has been made clear by the Director-General himself; while, in his speech in the Legislative Assembly on the 20th March, 1936, on the Indian Posts and Telegraphs Department, the Hon'ble Member in charge

of the Department of Industries and Labour, commented on 'book-packets' as follows:—

> With a surplus of two lakhs, after making the change in rates which we think most urgent, there is obviously nothing left for any other change. But I need hardly say that we did examine the possibility of reducing the rate on book packets, a change which has been urged upon us in the interests of business and would especially appeal to my Honourable friends in the centre of the House. Our experience of the last two years has shown that in spite of the increase in rates two years ago, the book packet traffic has declined only very slightly. The number of book packets carried in 1934-35 was about 98 millions. We estimate that it will be only a million less this year, and the next year we put it at about some 14 per cent. higher in view of the slight improvement in trade conditions and the coming elections. It does not appear probable that a reduction in the rate would bring in any appreciable increase in traffic which is not already allowed for in our assumptions. The most modest reduction in the rates proposed in any of the amendments before the House would cost us eight lakhs against our anticipated surplus of two lakhs.

The Hon'ble Member accordingly anticipates a 14 per cent. increase in book packets in the year 1936-37 'in view of the slight improvement in trading conditions and the coming elections.' He, therefore, visualises additional income from the increasing utilization of circular appeals; and unless the Indian Postal Regulations are brought into line with the United Kingdom Regulations in this respect, a check instead of a fillip to the use of such circulars may be expected to the consequential detriment of the anticipated increased income of the Post and Telegraphs Department.

5. I have accordingly to urge that the foregoing representations may be given the early and favourable consideration of the Indian Posts and Telegraphs Department with a view to the amendment of the Indian Postal Regulations to the extent of bringing them more into line with the corresponding regulations in the United Kingdom so as to admit multiple copies of circulars such as those under consideration to the concession rate for 'book post'. Advices from Northern India are to the effect that business houses, which make considerable use of the book post for advertisement purposes, have been experiencing considerable trouble under the present regulations, even with book post articles which were obviously within the limits of the regulations, in that nearly every batch sent out results in the return of a certain proportion, due to the fact that they are marked by some post offices as 'insufficiently stamped for letter postage' and the addressee has refused to pay the postage due fee demanded. When several thousands of such circulars with similar contents, except for a courtesy phrase, are tendered at the counter of a General Post Office for despatch by book post, the Postal Authorities should, in the opinion of the Chamber treat their customers in a more businesslike way by accepting these circulars for such despatch, since for all practical purposes these circulars conform to the book post regulations. In all such cases a special 'food proof' postmark should be used by the despatching post office for the information of offices of delivery, so that there may be no dubiety in the matter of the admissibility of such circulars for book post rates."

Copy, together with copy of the accompaniment, forwarded to the Secretary, The Federation of Indian Chambers of Commerce and Industry, for the information of the Federation and with the request that the support of the Federation may very kindly be extended to these representations."

Copy of a letter No. F. 1573 dated 3rd December, 1936, from the Federation to the Director-General of Posts and Telegraphs, New Delhi.

"I am directed to invite your attention to a communication No. 733 A. C. dated the 5th October, 1936, addressed to you by the Associated Chambers of Commerce of India, Calcutta, on the above subject and to state that the Committee of the Federation to whom the question was referred by the Associated Chambers for support are in agreement with and support the demand put forward by the Associated Chambers. The Committee trust that you would be pleased to consider the representation favourably and to amend the Indian postal regulations accordingly."

Copy of a letter No. 847-A.S. dated 8th December, 1936, from the Associated Chambers of Commerce, to the Federation.

"I am directed to acknowledge with many thanks the receipt of your memorandum dated 4th December, 1936, with which you kindly forwarded, for the information of the Chambers in the Membership of this Association, a copy of your Federation's letter dated 3rd December, 1936, to the Director-General of Posts and Telegraphs, New Delhi, supporting the representations which this Association made to the Director-General on the 5th October, 1936, on this subject."

Copy of a letter No. 1049/36/TI dated 8th January, 1927, from the Deputy Director-General of Posts and Telegraphs, New Delhi, to the Associated Chambers, endorsed to the Federation.

"With reference to your letter No. 733-A.C., dated the 5th October, 1936, I am directed to say that the Director-General has decided that the transmission of documents as described in clause 57(7) of the Posts and Telegraph Guide when posted as Book packets need not be taken exception to provided the matter is identical and the only variation that appears is in the name as 'Dear Mr. Smith,' 'Dear Mr. John' etc. Instructions are accordingly being issued to Heads of Circles.

2. With regard to your proposal for the use of a special postmark on such book packets, I am to add that the course suggested is not considered necessary as the rule already in force deals fully with the treatment of such postal articles. Instructions have, however, been issued drawing the attention of all concerned to the necessity for the strict observance of the rule."

Copy of a circular letter No. F. 123 dated 16th January, 1937, from the Federation to all Member-bodies and Members of the Committee.

"The Associated Chambers of Commerce of India, Calcutta, submitted a representation to the Director-General of Posts and Telegraphs in October last inviting his attention to the administration of certain postal regulations relating to book-packets with a view to bring these regulations more into line with the corresponding regulations obtaining in the United Kingdom. Under the present clause 57 (7) of the Indian Postal Regulations, bookpackets containing a general circular, the main portion of which is identical and the only difference in the copies being the insertion of the name and the address of the addressee, are declared inadmissible as bookpackets and are liable to letter postage. As a result of correspondence and interviews on the subject, the Bombay Chamber of Commerce was successful in persuading the Posts and Telegraphs Department to relax the interpretation of these regulations to the extent of permitting the despatch of circulars addressed "Dear Sir," "Dear Madam," or other general forms universally followed in a particular batch of identical circulars issued, on which could be impressed simultaneously with the circular being run off, the name and address of the addressee. The Department would not, however, agree to permit circulars to contain a more personal form of address such as "Dear Dr. A.", which is allowed under the postal regulations in the United Kingdom.

The Associated Chambers of Commerce sought the support of the Federation to their representation to the Director-General of Posts and Telegraphs on this question. The Committee of the Federation that met in Calcutta in November last decided to support the representation and accordingly wrote to the Director-General of Posts and Telegraphs, New Delhi, conveying their support.

The Director-General of Posts and Telegraphs has now written to say that he has decided that the transmission of documents as described in Clause 57(7) of the Posts and Telegraph Guide when posted as book packets need not be taken exception to,provided the matter is identical and the only variation that appears is in the name as "Dear Mr. Smith," "Dear Mr. John.' etc. The Director-General has issued instructions accordingly to Heads of Postal Circles.

I shall thank you to bring the above to the notice of your constituent members.

STEAMER FREIGHT RATES BETWEEN KARACHI-TUTICORIN AND KARACHI-NEGAPATAM-CUDDALORE.

Copy of a letter from the Indian Chamber of Commerce, Tuticorin, dated 17th June, 1936, to the Federation.

"I enclose herewith copy of my letter No. 10/199 addressed to Messrs. Mackinnon Mackenzie and Co., Calcutta and No. 10/204 to the Government of India, Commerce Department both of which are self-explanatory.

This port has been considerably affected by the revision in steamer freight rates from Karachi from 1-9-1935, which has removed the usual difference in favour of Tuticorin as compared with Negapatam and Cuddalore. The latter ports have been drawing considerable traffic intended for Trichinopoly, Tanjore etc. districts hitherto supplied by Tuticorin.

My Chamber will be very much obliged if you could represent the above facts to Messrs. Mackinnon Mackenzie and Co., Calcutta, on our behalf and bring round the Conference Lines to a reinstatement of the steamer freight rates which prevailed before the revision. We would also be glad to hear any other course of action you may like to suggest.

Some of our members are willing to go over there to discuss matters with you in person, should you think necessary. Please reply.

Copy of a letter No. 10/199 dated 11th June, 1936, from the Indian Chamber of Commerce, Tuticorin, to Messrs. Mackinnon Mackenzie and Co., Calcutta.

"I am directed by the Committee of this Chamber to represent to you the necessity for immediate revision of the alterations effected from 1-9-1935. As will be noticed from the comparative rates of steamer freight from Karachi for a period of 5 years from 1932 (vide statement enclosed), the difference in rates between the two runs that was in existence previously has been almost removed and this has helped to augment the diversion of Karachi's import trade with Tuticorin to Negapatam and Cuddalore. My Committee likes to observe in this connection that since 1932, there has existed a difference of 3 annas per bag in respect of flour and about 4 annas in respect of grains, etc., till 1-9-1935 when the rates were manipulated in favour of Negapatam and Cuddalore.

I enclose herewith another statement showing the imports of grains etc., at Negapatam and Cuddalore respectively for the years 1933, 1934 and 1935 and 3 months in 1936, from Karachi, which will clearly prove that consequent on the reduction in steamer freight rates from 1-9-35, these ports have been attracting steadily increasing traffic. Aided by favourable rates by the S. I. Ry., Cuddalore is able to supply via Vriddhachalam to Salem Erode, Tirupur, and Trichinopoly even. Negapatam has captured Kumbhakunam, Tanjore and Trichinopoly, all of which were hitherto the principal markets for Tuticorin imports, from Karachi.

It is unnecessary for my Committee to state that this port has ben enjoying the unique position of a second port of the presidency till the emergence of Cochin harbour. Several merchants have staked very large capitals in business and locked up considerable sums in houses, godowns and other landed properties. To reduce the importance of Tuticorin at this juncture by forcing her to part with her age-long trade as a result of unfair freight manipulations is dealing a death-blow on a well-established port to the ultimate benefit of others. My Committee is not envious of the facilities offered by the Conference Lines to particular major and provincial ports in which several interests are intermingled and there is always a phenomenal turnover. But, to spoil Tuticorin in favour of other ports which had never before held enviable positions is keenly felt by my Committee.

The consumption of Karachi produce in South India has generally remained the same though the bags penetrated into the various interior markets through many small ports now, instead of one or two bigger ones previously. Tuticorin which had been supplying the needs of a major portion of South India can still afford to do so, but for the recent move initiated by the Conferonce Lines fostering Negapatam and Cuddalore. The latter (The Conference Lines) also stand to gain by concentrating their attention on this port and landing most of their cargo here instead of touching several smaller ports beyond and paying dues and incurring various other charges incidental to landing there. If the steamer Companies really desired to give an impetus to trade, they can do it by reducing further the freight to Tuticorin and thereby paving the way for increased imports.

The diversion of Tuticorin's import trade in Karachi cargo is noticed to be steadily increasing in proportion and so much so it has become an acute problem which cannot be easily ignored. Hence, my Committee represents strongly that the Conference Lines may be pleased to consider the harm done to Tuticorin by their revision of the rates of freight from Karachi from 1-9-1935, and reinstate the rates which existed prior to the above date.

Awaiting your early favourable steps, and thanking you.

We are addressing you shortly about the steamer freight rates between Bombay-Tuticorin and Bombay-Negapatam-Cuddalore and the diversion of Tuticorin imports from Bombay to Negapatam and Cuddalore."

Copy of a letter No. 10/204 dated 12th June, 1936, from the Indian Chamber of Commerce, Tuticorin, to the Government of India, Commerce Department.

"I am directed by the Committee of this Chamber to represent to you the following circumstances which have contributed to the diversion of Tuticorin's usual imports of Karachi cargo to the ports of Negapatam and Cuddalore. To begin with, my Committee desires to say that things went on rather smoothly till 1-9-1935 when the Conference Lines (comprising of Messrs. B. I. S. N. Co. the A. S. N. Co., Ltd., and the Scindia Steam Navigation Co., Ltd.,) effected a revision in the rates of steamer freight from Karachi in favour of the above ports. As will be noticed from the comparative rates of steamer freight from Karachi for a period of 5 years from 1932 (vide statement enclosed), the previous difference of 3 annas and 4 annas per bag of flour and grains respectively, has almost been removed in the revision which has resulted in Negapatam and Cuddalore attracting the traffic hitherto imported via Tuticorin for the interior markets.

I also enclose another statement showing the imports of grains, etc., at Negapatam and Cuddalore respectively for the years 1933, 1934, 1935 and 3 months in 1936 from Karachi, which will clearly prove that consequent on the reduction in steamer freight rates from 1-9-1935 those ports are drawing steadily increasing grains traffic. With favourable rates by the S. I. Ry., Cuddalore is able to supply via Vriddhachalam to Salem, Erode, Tirupur and Trichinopoly even. Similarly Negapatam has covered Kumbhakonam, Tanjore, Trichinopoly etc. all of which were upto now the principal markets for Tuticorin's imports from Karachi.

It is unneessary for my Committee to state here that Tuticorin had been enjoying the unique position of the second port of the presidency prior to the emergence of Cochin harbour. Several merchants and investors have staked very large capitals in business and locked up considerable sums in houses, godowns and other landed properties. To reduce the importance of Tuticorin in these circumstances by forcing her to part with her age-long trade as a result of unfair freight manipulations is nothing less than dealing a death-blow on a well-established port to the ultimate benefit of others which had never before held envious position.

The revision in freight rates from 1-9-1935 has acted very adversely on the indigenous shipping industry by diverting Malabar traffic (in which the small steamship Companies are supposed to enjoy 85 per cent. of the traffic according to the Delhi Award January, 1935) to Negapatam and Cuddalore for distribution to the interior. The principle underlying the Delhi Award, of giving protection to the small Steamship Companies by fixing up a deliberately higher quota in the Malabar trade is defeated by the above diversion which can only have the effect of stifling them. Hence, it is necessary that the competitor to Malabar and Tutiorin trade should be held at bay in the interests of the above places and small steamsihp Coys.

My Committee is not envious of the facilities offered by the Conference Lines to particular major ports in which several interests are intermingled and there is always phenomenal turnover. But, Negapatam and Cuddalore cannot be treated in level with them for obvious reasons.

Tuticorin has a claim on the Conference Lines for a far cheaper rate being nearer to Karachi by 556 miles than Negapatam, leaving aside Cuddalore which is still further. It takes another three days to reach Negapatam by sea from Tutocorin.

Tuticorin which had been supplying the needs of a major portion of South India can still afford to do so, but for the recent move initiated by the Conference Lines fostering Negapatam and Cuddalore. My Committee wishes to impress that the Conference Lines also stand to gain by concentrating their attention on this port and landing most of their cargo here instead of touching several smaller ports beyond and paying dues and incurring various charges incidental to landing there. If the steamer Companies really desired to give an impetus to trade, they can do it by reducing further the freight to Tuticorin and thereby paving the way for increased imports.

The division of Tutocorin's trade to Negapatam and Cuddalore being markedly steady, it has become an acute problem which cannot be ignored. My Committee begs to request you to consider the harm done to Tuticorin by the above revision and negotiate and bring about the reinstatement of the rates which existed prior to 1-9-1935 from Karachi. The timely intervention of the Government with the Conference Lines would alone save this situation and my Committee solicits your action."

Copy of a letter No. F. 962 dated 15th July, 1936, from the Federation to Indian Chamber of Commerce, Tuticorin.

"In continuation of my letter No. F859 dated 25th June, 1936, I am directed to inform you that the matter was informally discussed with the representative of the B. I. S. N. Coy., at Calcutta. The B. I. S. N. Coy. at Calcutta state that the matter is being handled by their office in Bombay but incidentally they pointed out to us that the rates now in force since 1st September, 1935, were on the same level which was in force prior to 1932 and they have simply restored the old rates. In 1932, some competition was offered by the Railway authorities and hence they had to adjust rates more advantageous to Tuticorin. That factor no longer now exists and therefore they have, after very careful consideration. restored the old rates against which, they trust, there should be any grievance. I am, however, asking the B. I. S. N. people to furnish us with the rates which prevailed prior to 1932 and I shall also thank you to enlighten me as to whether the contention of B. I. S. N. people is correct. I shall revert to this on receipt of information from you as also from the B. I. S. N. Co."

Copy of a letter No. F. 952 of the 14th July, 1936, from the Federation, to M/s. Mackinnon, Mackenzie and Co., Ltd., Calcutta.

"With reference to the interview which the undersigned had on Saturday last with your Mr. Deas in connection with the grievances put forward by the Indian Chamber of Commerce, Tuticorin, it was pointed out to me that the rates now in force for steamer freight between Karachi and Negapatam were on level with those prevailing prior to the year, 1932. I shall, therefore, feel obliged if you would be good enough to forward to me, for the use of the Committee of the Federation, steamer freight rates for bags of flour, seeds between Karachi and Tuticorin and Karachi and Negapatam prior to 1932."

Copy of a letter No. 1151 dated 17th July, 1936, from M/s. Mackinnon Mackenzie and Co., Calcutta, to the Federation.

"We are in receipt of your letter, Ref. No. F. 952 of the 14th instant enquiring for the Conference rates of freight between Karachi and Tuticorin and Karachi and Negapatam-Cuddalore at the present time and in 1931-32 and we attach herewith a statement giving these which we trust will cover your requirements."

RATES OF FREIGHT.

<table>
<tr><th></th><th colspan="2">KARACHI TO
NEGAPATAM AND CUDDALORE</th><th colspan="2">KARACHI TO TUTICORIN.</th></tr>
<tr><th></th><th>Present rate.</th><th>1931-1932.</th><th>Present rate.</th><th>1931-1932.</th></tr>
<tr><td>Flour.</td><td>Rs. 10 per ton of 20 cwt. less 10%</td><td>Re. -|15|- per bag of 196 lbs. less one anna.</td><td>Rs. 7-12 per ton of 20 cwt., less 10%</td><td>Re. -|12|- nett per bag of 196 lbs.</td></tr>
</table>

Oilseeds.	Rs. 7-4 per ton of 15 cwt. less 10%	Re. -|11|- per bag of 168 lbs. nett.	Rs. 6-10 per ton less 10% as per Bombay Chamber of Commerce scale.	Re. -|7|6 nett per bag of 168 lbs.
Other Seeds.	Rs. 7-4 per ton less 10% as per Bombay Chamber of Commerce scale.	Rs. 11 per ton as per Bombay Chamber of Commerce scale nett.	Rs. 6-10 per ton less 10% as per Bombay Chamber of Commerce scale.	Rs. 8 nett as per Bombay Chamber of Commerce scale.

Copy of a letter No. F. 972 dated 17th July, 1936, from the Federation to Messrs. Mackinnon Mackenzie and Co., Calcutta.

"I am in receipt of your letter No. Ex/1151 of even date along with its enclosure and thank you very much for the information contained therein which, I am sure would be of interest to the Committee of the Federation in considering the reference from the Indian Chamber of Commerce, Tuticorin, Thanking you,"

Copy of a letter No. F. 1064 dated 14th August, 1936, from the Federation to Indian Chamber of Commerce, Tuticorin.

"In continuation of my letter No. F. 962 dated 15th July, 1936, on the above subject, I have now heard from the Conference lines (B. I. S. N. Co., and Scindia Steam Navigation Co.) From the rates given, it will be noticed that there has ben a reduction to the extent of anna 1-8 pies to -/2/5 per bag in favour of the rates from Karachi to Negapatam and Cuddalore. The Conference Lines contend that they were compelled to effect this rduction in view of the policy of the railways to divert the traffic going by the sea route. It may be observed that during the period in question, while the rates of freight by the sea route remained comparatively steady, the railways reduced their rates from August, 1933, onwards from Rs. 1-6-10 per maund to Rs. 1-0-9 per maund from Bhatinda to Madras. The rate of Rs. 1-6-10 was in itself a reduction on the previous rate of Rs. 1-10-6 per maund, so that the aggregate reduction by railways between 1931 and 1933 came to As. 9-9 per maund. In the same way, the railway rate from Madras to Cuddalore which was As. 12-1 per maund in 1931, was reduced to As. 4-10 per maund from 1932 onwards, thus registering a decline of As. 7-3 per maund. The aggregate reduction in the railway route from Bhatinda to Cuddalore and Negapatam was Rs. 1-1 against which the aggregate reduction in the steamer route from Karachi to Cuddalore and Negapatam since 1931 works out to only As. 2-3 per maund of flour and As. 3-1 per maund of grain. It will be seen that the Conference Lines had followed the line of least resistance and made such slight reduction as might enable them to retain their legitimate traffic from being diverted from sea to the rail route.

The Conference Lines contend that if the rates of freight were not reduced from Karachi to Negapattam and Cuddalore those centres would have been fed by the railways and the traffic would have been entirely lost to the sea route. From figures made available to the Federation office by one of the Conference Lines regarding the imports from Karachi into Tuticorin during the years 1933, 1934, and 1935, it will be seen that the trade from Tuticorin has not been diverted as contended by you. The figures are:—

Year.	Import from Karachi into Cuddalore and Negapatam	Imports from Karachi into Tuticorin.
1933	116,211	295,977
1934	172,139	441,409
1935	131,902	463,991
Period.		
1st September, 1935 to 31st March, 1936 ...	98,859	259,794

It will be further seen that while the average monthly imports into Negapatam and Cuddalore varied between 11,000 to 14,000 bags per month during the years 1934 and 1935, they came to 14,000 bags per month on an average during the period of 7 months from 1st September, 1935,—the date from which the rate was reduced. So far as the imports into Tuticorin are concerned, they varied from 36,000 to 38,000 bags per month during 1934 and 1935 and have stood at 37,000 bags per month during the period of 7 months from 1st September, 1935, since which the revised rates have come into operations.

The opening of the Cuddalore Calem Chord Line will naturally stimulate the trade to Negapatam and Cuddalore and I am afraid your Chamber may not have any legitimate grounds for complaint against this."

Copy of a letter No. 10/336 dated 27th August, 1936, from the Indian Chamber of Commerce, Tuticorin, to the Federation.

"Referring to your letter No. F. 962 of the 15th July, 1936, I am now in a position to contradict the version of the Managing Agents of the B. I. S. N. Co., Ltd., Calcutta, 'that the rates now in force since 1st September, 1935, were on the same level which was in force prior to 1932 and they have simply restored the old rates.'

KARACHI TO TUTICORIN from 1929 to October 1932.	KARACHI to NEGAPATAM and CUDDALORE from 1929 to October 1932.
per bag of grains Re. 0-14-0	per bag of grains Rs. 1-1-6.
flour Re. 1-1-0	do. Rs. 1-7-0.
KARACHI to TUTICORIN from 1-9-1935.	KARACHI to NEGAPATAM and CUDDALORE from 1-9-1935.
grains Rs. 7 per ton	grains Rs. 7-12 per ton, or
	grains As. 12-6 per bag.
Flour Rs. 8-14 per ton.	flour Rs. 10 per ton, or
	flour Re. 1 per bag.

The average you have drawn in your letter F. 1064 by taking the statistics of Negapatam and Cuddalore together has to some extent minimised the extent of the diversion. I have given below monthwari statistics of Negapatam and Cuddalore separately, from which it will be seen that the progress attained by the former is very steady and persistent.

KARACHI to NEGAPATAM		KARACHI to CUDDALORE.
1935	bags.	
September	5,974	8,717
October	8,295	8,582
November	6,584	9,106
December	5,328	1,626
1936		
January	11,954	8,671
February	7,420	6.637
March	3,042	1,923

The progress noticed in the case of Negapatam is chiefly due to the feeding of Trichinopoly and Tanjore markets by Negapatam instead of Tuticorin ever since the reduction in rates in favour of the former. But for the above, the imports at Tuticorin will be greater still, because, we know for certain that much cargo intended for Tuticorin merchants to be forwarded to Trichinopoly and Tanjore are being diverted to Negapatam. The Chamber has been watching keenly the flow of trade from Tuticorin through original channels and is now convinced that the despatches by railway from Tuticorin to Trichinopoly, Tanjore, etc., have been seriously affected. The Railway statistics of outward cargo from Tuticorin to the above places also bear out the above. By the way, I wish to tell you that the phenomenal increase noticed in your comparative figures for 1934 and 1935 was also due to the existence of a ruthless freight-war among the Conference Lines. Tuticorin is maintaining its old level or even a slightly higher one as regards imports, due to the needs of only its near-by surroundings. In the present year statistics, of the imports at Tuticorin are included cotton bales which have arrived in large quantities for the local Mills.

The diversion to Salem is mainly due to the increase in rates via Cuddalore from 1-9-1935.

My Chamber wishes to impress on you that it is unfair that the Conference Lines raise a plea of Railway competition and treat individual ports partially. We expect that you will do your best to persuade them to allow a corresponding reduction in rates as in the case of Negapatam, so that Tuticorin may continue to hold her own as before."

Copy of a letter No. F. 1247 dated 10th September, 1936, from the Federation to Indian Chamber of Commerce, Tuticorin.

"I am in receipt of your letter No. 10/336 dated 27th August, 1936, and to say that the matter is receiving the attention of this office. Further reply will be sent to you in due course."

DEFERRED REBATE SYSTEM

Copy of a letter No. 54/55 dated 30th July, 1936, from the Buyers and Shippers' Chamber, to the Federation.

"My Committee have entered into correspondence with the Federation, ending with your letter No. F. 151 dated the 31st January, 1936, on the above-mentioned subject. The matter was not proceeded with in as much as the local offices of the members of the Conference Line had informed the Committee of the Chamber that they were in communication with their Head Offices or Principals regarding the Chamber's representation on the subject of deferred rebate system.

Seven months have since passed, but the Chamber has not heard anything further from the Conference Line in the matter. The time has now come when the shippers have to recover rebates from the steamship companies. It is needless to reiterate here the numerous grievances of the shippers against the deferred rebate system and in the matter of refund of the extra amount of freight charged by the steamship companies, viz., rebates. Suffice it to say that the awkward position of the shippers is rendered worse by the monopolistic situation of the Conference Line and hopeless apathy of Government towards this question.

I am enclosing herewith copies* of this Chamber's latest communications to Government and the Conference Line in this matter, with a request that the Committee of the Federation will be pleased to go through same very minutely and immediately take up the matter with Government and the Conference Line with a view to mend matters in the mutual interests of the trade and the steamship companies.

Nowhere in the world the steamship companies are so regardless of the interests of shippers as in India. The Conference Line holding the monopoly of coastal traffic have always been maintaining their arrogant attitude towards shippers. They arbitrarily fix rates of freight, sailing of steamers and clause bills of lading, etc., in such a manner as to promote or safeguard their own interests at the cost of shippers' interests. The shippers, under the Deferred Rebate System, are 'dumb, driven creatures' in the hands of steamship companies. They are forced to sign the Conference Line's printed forms to put in their claims for rebates. The conditions set forth on these forms, which are binding to shippers, are intolerable. The shippers have described these forms as another 'slavery document.' They have to sign the forms to recover the extra amount of freight already paid by them to the steamship companies. The amount of rebates they are already granting to their constituencies. It is very great compared to the small commission they earn. In case of bigger shippers the rebates amount to lakhs of rupees locking up of which with the steamship companies causes considerable hardship and inconvenience to merchants and involves them in risk and losses. The other great evil of the deferred rebate system is that the shippers whose rebates grow larger hesitate to do business with the small steamship companies whose resources are not so great as those of bigger companies, with the result that the system hits hard the small Indian steamship companies. This point has been explained in the representations attached.

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*Not printed,

It is hoped that the matter will be taken into due consideration by the Committee of the Federation.

Thanking you in anticipation."

Copy of a letter No. F. 1689 dated 22nd December, 1936, from the Federation to Indian National Steamship Owners' Association, Bombay.

"I am directed to forward herewith a copy of the papers forwarded to this office by the Buyers and Shippers' Chamber, Karachi, on the above question. The Committee of the Federation felt that before considering this question, they should ascertain the opinion of your Association which represents Indian Shipping companies. I have, therefore, to request you to forward to me the opinion of your Committee on this question."

QUININE POLICY OF THE GOVERNMENT OF INDIA

(For previous correspondence see pages 230 to 234 of Volume No. 2 for the year 1936)

Copy of a letter No. F. 170/34-A dated 14th October, 1936, from the Government of India, Department of Education, Health and Lands to the Federation.

"With reference to your letter No. F. 257, dated the 12th February, 1936, I am directed to say that the figures mentioned in the communication of October, 1934, were expressly stated to be no more than an approximation and not absolutely exact. The correct figure of the Government of India stock of quinine on 1st October, 1934, was 2,52,727 lbs. Of this amount, during the period 1st October, 1934, to 1st January, 1936, 44,502 lbs. were given to Local Governments for free distribution and 41,340 lbs. were sold: 14,215 lbs. to Local Governments and 8,200 lbs. to the Ceylon Government, leaving a balance of 18,925 lbs. of which 8,496 lbs. were sold to the trade in India and 10,429 lbs. outside, as a result of arrangements made in accordance with the recommendation of the Public Acounts Committee that surplus stoks should be disposed of by sale. No quinine has been sold to the Kina Bureau. The average price secured for purified quinine was Rs. 18.54 per lb. and for crude quinine Rs. 13.79 per lb.

2. With reference to the suggestion in paragraph 2 of your letter I am to invite attention to the letter from the Imperial Council of Agricultural Research to your address No. D. 861/33-A, dated the 5th April, 1933." (Copy enclosed.)*

REGISTRATION OF LIS PENDENS

Copy of a letter No. F. 629 dated 1st May, 1936, from the Federation to Government of India, Legislative Department, Simla.

"I am directed to enclose a copy of the Resolutions adopted by the Federation at its Ninth Annual Session held in Delhi on 4th and 5th April, 1936, and to invite the attention of the Government of India to Resolution* on the above subject."

*Text of the Resolution:—

"The Federation urges upon the Government of India the desirability of undertaking legislation with a view to make the Registration of Lis Pendens compulsory."

Copy of a circular letter dated 14th September, 1936, from the Federation to Member-bodies and Members of the Committee.

"In reply to a letter from the Federation forwarding a copy of a resolution adopted at the last Annual Session on the above subject, I have received a communication from the Government of India, Home Department, dated 1st September, 1936, which I reproduce below for your information."

Copy of a letter No. F. 550/36 dated Simla, the 1st September, 1936, from the Government of India, Home Department, to the Federation.

"I am directed to acknowledge the receipt of your letter F. 629, dated the 1st May, 1936, forwarding a copy of the resolutions adopted by the Federation at its Ninth Annual Session held at Delhi on the 4th and 5th April, 1936, and to say that the attention of local Governments has been drawn to resolution No. 18 on the subject above-mentioned. After the introduction of Part III of the Government of India Act, 1935, provincial legislatures will have power to undertake necessary legislation if they so desire."

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*Not printed.

DRAFT INSTRUMENT OF INSTRUCTIONS

Copy of a telegram dated 7th November, 1936, from the Burma Indian Chamber of Commerce, and the Nattukottai Chettyars' Association, Rangoon, to the Federation.

"Following cablegram despatched state Secretary begins referring Draft Instrument Instructions Governor Burma now before Parliament Committees Burma Indian Chamber Commerce Nattukottai Chettyars Association and Burma Indian Association gravely perturbed find clause twenty as worded as it does not confine power Burma Legislature imposing restriction on immigration to unskilled labour only stop. vour Lordships attention invited debate House of Commons tenth April 1935 on relevant clause 340 India Bill and Earl Wintertons Amendment seeking restrict power Burma Legislature to unskiled labour only and speeches of Attorney-General and State Secretary on behalf of His Majesty's Government stop debate clearly shows acceptance of substance of Earl Wintertons Amendment and Attorney Generals undertaking incorporate clause to secure that object in Instrument Instructions owing difficuly evolving suitable definition unskilled labour for statutory purposes and it was further agreed that even such restriction could only be imposed in consultation with Government of India and not Governor-General as provided now stop retention of proposed clause tantamount to contravention of policy accepted by Parliament at instance of His Majestys Government stop we therefore respectfully urge necessary steps amend relevant clause so as to implement that policy by confining restriction on entry to unskilled labour only in consultation with Government of India stop your Lordships attention further invited clause seven Instrument Instructions stop comparing same with clause 8 Draft Instrument Instructions to Governor-General and Governors of Indian Provinces we find no provision for appointment of Ministers from important minority communities stop we respectfully urge your Lordship rectify this serious omission stop regarding clause 22 we respectfully urge your Lordship provide in Instrument Instructions for representation of Indians in Senate at least in same proportion as in lower house under Burma Act keeping in view Indian vested interests in making nominations ends request immediate action as Draft Instrument will remain on table House of Commons for barely ten days from now."

Copy of a telegram dated 9th November, 1936, from Mr. D. P. Khaitan, President, to the Secretary of State for India.

"Referring Draft Instrument of Instructions Governor Burma now before Parliament Committee Federation Indian Chambers Commerce and Industry find interests of Indian emigrants seriously affected by not confining power of Burma Legislature to impose restrictions on entry unskilled labour only into Burma in consultation with Government of India stop This tantamount to contravention of policy accepted by Parliament at instance His Majestys Government and against definite promise Secretary of State India to provide for necessary safeguard in Instrument Instructions by providing to confine power Burma Legislature to impose restrictions if necessary emigration of unskilled Indian labour into Burma in consultation Government of India and not Governor General as now provided stop Widening of power to extend to persons other than unskilled Indian labour very detrimental to Indian interests for obvious reasons stop Committee respectfully urge State Secretary India modify Instrument Instructions in accordance definite undertaking previously given in Parliament."

Copy of a telegram dated 9th November, 1936, from Mr. D. P. Khaitan, President, to the Private Secretary to His Excellency the Viceroy.

"Referring Draft Instrument of Instructions Governor Burma now before Parliament Committee Federation Indian Chambers Commerce and Industry find interests of Indian emigrants seriously affected by not confining power of Burma Legislature to impose restrictions on entry unskilled Indian labour only into Burma in consultation with Government of India stop This tantamount to contravention of policy accepted by Parliament at instance of His Majestys Government and against definite promise Secretary of State for India to provide for necessary safeguard in Instrument Instructions by providing to confine power Burma Legislature to impose restrictions if necessary emigration of unskilled Indian labour into Burma in consultation Government of India and not Governor General as now provided stop Widening of power to extend to persons other than unskilled Indian labour very detrimental to Indian interests for obvious reasons stop Committee respectfully urge His Excellency Viceroy to immediately apprise Secretary of State India depth of anxiety concern of Indians on this important issue and seek amendment of relevant clause in draft of Instrument of Instructions."

TREATMENT OF AN INDIAN MERCHANT IN MANCHOUKUO

Copy of letter No. F. 973 dated 17-7-36 from the Federation to the Government of India, Department of Education. Health and Lands, Simla.

"I am directed to invite the attention of the Government of India to a B.O.W. press message dated London, 15th July, 1936, regarding the brutal ill-treatment of an Indian merchant and his family at Hsinking on 17th June, 1936, by the Japanese authorities and to request them to acquaint the Committee of the Federation with full details regarding this incident. The Committee are much concerned over this news and will, therefore, appreciate an early communication from Government in this regard."

Copy of letter No. 13749 P dated 31st August, 1936, from the Government of Bengal, Political Department, Calcutta, to the Federation.

"With reference to your letter No. F. 973, dated the 17th July, 1936, to the Government of India in the Department of Education, Health and Lands, regarding the ill-treatment of an Indian merchant in Manchoukuo, I am directed to state that on the 17th June, 1936, the Japanese authorities arrested a British Indian subject, Ibrahim Abdullah Hussein by name, his wife and son in the South Manchurian Railway Zone at Hsinking on charges of defrauding three Japanese shops of small sums. In accordance with extra territorial rights, the prisoners should have been handed over forthwith to the competent British Consular authorities. As soon as the facts came to the notice of those authorities representations on this subject were immediately made by His Majesty's Ambassador at Tokyo to the Japanese Government, and Hussein, his wife and son were eventually handed over to His Majesty's Consul-General at Mukden on 5-7-1936. From medical examination and evidence taken on oath it is clear that the prisoners had been severely tortured. His Majesty's Government have caused strong representations regarding this deplorable matter to be made to the Japanese Government."

SUPPLY OF WEB EQUIPMENT

Copy of a letter dated 7th December, 1936, from the Director of Contracts, Army Headquarters, Simla, to the Federation.

"I am directed to inform you that large quantities of web equipment are purchased annually from foreign manufacturers for use by the Defence Services and that no firm in India has so far been able to undertake supply from indigenous sources.

In order to encourage the development of the industries of the country to the utmost possible extent, it is now proposed to investigate the possibilities of manufacture of web equipment in the different provinces of India.

I am accordingly to request you kindly to furnish me with the names and addresses of important mills known to you which can possibly undertake manufacture of the item from indigenous materials.

I may add that I am prepared to afford all possible facilities to firms who may be interested in the line and would, on receipt of addresses of such firms, forward to them all available particulars to guide manufacture and supply against Army requirements.

I shall be glad if you will please furnish me with a reply at an early date."

Copy of a letter No. F. 1617 dated 14th December, 1936, from the Federation to all Member-bodies.

"I am directed to enclose a copy of a letter received from the Director of Contracts, Army Headquarters, Simla, dated 7th instant on the above subject and shall thank you to bring the contents of the accompanying letter to the notice of such of your constituents as are interested therein. It is further requested that further correspondence on this question should be carried on directly with the Director of Contracts, Simla."

CONDITIONS OF CONTRACT FOR CONTRACTS FOR STORES FOR INDIAN RAILWAYS

Copy of a letter No. SS/A-1 dated 20th August, 1936, from the Chief Controller of Standardization, Government of India, Railway Department, to the Federation.

"It is proposed to make the following amendments to the existing I.R.S. Specifications Nos. A1-34, A2-34, and A3-34 relating to Conditions of Contract for Contracts for Stores:

I.R.S. Specification No. A1-34.

(i) Clause 6, lines 9 and 10—

For "the Purchaser shall be entitled to purchase such consignment elsewhere on the account and at the risk of the Contractor."

read "the Purchaser shall be entitled to purchase such consignment or if not available the best and nearest available substitutes therefor elsewhere on the account and at the risk of the Contractor."

(ii) Clause 19—

For the existing second sub-para reproduced below:—

"When Stores that have been despatched by rail are rejected, the following procedure shall be adopted:—

(a) In cases in which a contract is placed for delivery 'F.O.R. station of despatch' and the stores consigned at Railway Material rates are rejected on arrival at destination, they shall be re-booked to the suppliers if so desired by them 'freight to pay' at Public Tariff rates.

(b) In the case of rejected Stores not being required to be replaced, the actual freight paid by the Purchaser on the original consignment shall be recovered from the Contractors either in cash or by deductions from their bills.

(c) In the case of Stores required to be replaced, the replacement consignment shall be booked by the Contractor 'freight Paid' at Public Tariff rates and no recovery in respect of the original consignment shall be made from the Contractor.

Substitute:—

"In cases in which a contract is placed for delivery f.o.r. station of despatch, stores that have been despatched by rail and rejected after arrival at destination may be taken back by the supplier either at the station where they were rejected or at the station from which they were sent. In either of these cases, the supplier shall pay the carriage charges on the rejected consignments at public tariff rates from the station of despatch to the station where they were rejected. If the supplier elects to take back the goods at the station from which they were despatched, the goods shall be booked back to him freight to pay at public tariff rates and at Owner's risk and the property in goods shall not pass from the Contractor unless and until accepted by the Purchaser after inspection."

I.R.S. Specifications Nos. A2-34 and A3-34.

(i) Clause 5, lines 14 to 16—

For "the Purchaser shall be entitled to purchase elsewhere on the account and at the risk of the Contractor the Stores or any consignment thereof which the Contractor has failed to deliver or despatch."

read "the Purchaser shall be entitled to purchase elsewhere on the account and at the risk of the Contractor the Stores or any consignment thereof which the Contractor has failed to deliver or despatch or if not available the best and nearest available substitute therefor."

(ii) Clause 18—

For the existing second sub-para, reproduced below:—

When stores that have been despatched by rail are rejected, the following procedure shall be adopted:—

(a) In cases in which a contract is placed for delivery 'F.O.R. station of despatch' and the stores consigned at Railway Material rates are rejected on arrival at destination, they shall be rebooked to the suppliers, if so desired by them, 'freight to pay' at Public Tariff rates.

(b) In the case of rejected Stores not being required to be replaced, the actual freight paid by the Purchaser on the original consignment shall be recovered from the Contractors either in cash or by deductions from their bills.

(c) In the case of stores required to be replaced, the replacement consignment shall be booked by the Contractor 'freight paid' at Public Tariff rates and no recovery in respect of the original consignment shall be made from the Contractor.

Substitute:—

"In cases in which a contract is placed for delivery f.o.r. station of despatch, stores that have been despatched by rail and rejected after arrival at destination may be taken back by the supplier either at the station where they were rejected or at the station from which they were sent. In either of these cases, the supplier shall pay the carriage charges on the the rejected consignments at public tariff rates from the station of despatch to the station where they were rejected. If the supplier elects to take back the goods at the station from which they were despatched, the goods shall be booked back to him freight to pay at public tariff rates and at Owners' risk and the property in goods shall not pass from the Contractor unless and until accepted by the Purchaser after inspection."

2. I have to request that you will kindly furnish this office by the 1st November, 1936, with the views of the Federation of Indian Chambers of Commerce and Industry on the amendments proposed above."

Copy of a letter No. F. 1539 dated 25th November, 1936, from the Federation, to the Chief Controller of Standardization, New Delhi.

"With reference to your letter No. SS/A-1 dated the 20th August, 1936, and a subsequent reminder dated the 18th November, 1936, I am directed to inform you that the meeting of the Committee of the Federation will be held on the 29th November, 1936, and their views on this question will be forwarded to you in the course of the first week of December."

Copy of a circular letter No. F. 1646 dated 17th December, 1936, from the Federation to all Member-bodies.

"I am directed to enclose a copy of a letter received from the Chief Controller of Standardization, New Delhi, regarding certain amendments proposed to be made to the existing I.R.S. Specifications, and shall thank you to communicate to this office the views of your Committee on the proposals communicated therein. These views should reach this office not later than Monday the 11th January, 1937."

Copy of a letter No. F. 1658 dated 17th December, 1936, from the Federation to Chief Controller of Standardization, New Delhi.

"In continuation of my communication No. F. 1539 dated 25th November, 1936, I am directed to inform you that a copy of your previous communication No. SS/A-1, dated the 20th August, 1936, is circulated to the Member-bodies of the Federation for expression of opinion thereon. The Committee of the Federation will, therefore, be in a position to communicate to you their views by the 15th January, 1937."

Copy of a letter No. SS/A-1 dated 6th January, 1937, from the Chief Controller of Standardization, to the Federation.

"With reference to your letter No. F. 1658 dated the 17th December, 1936, I have to request that the views of the Committee of Federation may kindly be furnished to this office positively by the 15th January, 1937, so as to enable us to place the matter before the members of the Standing Committee on Standards and Specifications for Indian Railways for consideration at their next meeting to be held on the 20th January, 1937."

Copy of a letter No. 112 dated 14th January, 1937, from the Federation to the Chief Controller of Standardization, New Delhi.

"With reference to the correspondence ending with your letter No. SS/A-1 dated the 6th January, 1937, I am now directed to convey to you the views of the Committee of the Federation as under:—

Re: I.R.S. Specification No. A1-34.

(I) Clause 6, lines 9 and 10.

The modification sought would entitle the purchaser to purchase the best and nearest available substitutes elsewhere on the account and at the risk of the contractor, in the event of the failure to deliver or despatch any consignment within the period prescribed. The Committee would like to express the hope that the power delegated to the purchaser to purchase at the risk of the contractor best and nearest available substitutes would not be abused to the detriment of the defaulting contractor but would be utilized reasonably.

Clause 19.

The Committee have no particular view to express as regards the modification sought to clause 19.

I.R.S. Specifications A2-34 and A3-34:

As the modifications sought to Clause 5 and Clause 18 are identical in nature to those indicated above, it is not necessary for the Committee to repeat the views which they have expressed above.

DEVALUATION OF THE RUPEE

Copy of a telegram dated 29th September, 1936, from Mr. M. Jamal Mahomed Sahib, to the Federation.

"Now that all chief currencies world depreciated our currency also should be depreciated otherwise our country will continue to suffer even when depression quotas trade restrictions disappear and prosperity returns to world as we shall continue to labour under double handicap of our appreciated currency and other countries depreciated currencies stop this is opportune best time for pressing review reconsideration our exchange policy please therefore take matter with Government myself telegraphing Government Assembly members."

Copy of a letter dated 12th November, 1936, from the President, Currency League, Madras, to the President of the Federation.

"You know the economic condition of the people is very bad and you also know that as many countries have devalued it is likely to become worse and that there is only one way out of it, i.e., devaluation of the Rupee. The Government wont do it and they are trying to mislead the people by creating cleavages among them. That is what they mean by references to middlemen. They have also started using University Professors to mislead the public. Further you also know that if the present opportunity is missed we shall not be able to devalue under normal circumstances! We cannot therefore keep quiet now. We must carry on the agitation in an intense manner all over the country. I suggest that the currency league be revived, agitation be carried on in the Press and public meetings be organised at all important places.

There is a lot of feeling in the country on the side of the devaluation of the Rupee and considering the extreme distress into which the people have been thrown by this prolonged depression it is to be expected that there will be very strong support throughout the country.

The agitation is being kept up here as you might be following the papers. We are having a public meeting on the 14th instant under the auspices of the Currency League and I am also addressing the mofusil Chambers and prominent people in this province to hold public meetings and carry on the agitation.

We have also to request you, as the President of the Federation, to do the needful that all over the country, agitation through Press and public meetings is soon arranged."

Copy of a letter No. F. 1569, dated 2nd December, 1936, from Mr. D. P. Khaitan, President, to the Hon'ble Sir Percy James Grigg, Finance Member to the Government of India.

"The Committee of the Federation of Indian Chambers of Commerce and Industry have asked me to address you in connection with the strong feeling held in the country for a review of the position as regards the exchange value of the rupee.

I have no doubt you will agree that the present exchange value has been maintained on account of the large export of gold. Such export is held by the generality of the public to be very detrimental to the permanent interests of the country. Furthermore, the continuance of such export cannot be relied upon for a long time. If and when the export fails, there will be such a confusion as to make a cool consideration of the problem difficult.

As you are aware, when the Reserve Bank Act was passed, the present rate of exchange was accepted as a temporary provision and it was expressly provided in the preamble that owing to the disorganisation of the monetary systems of the world, it was not possible to determine what would be suitable as a permanent basis for the Indian monetary system. The preamble to that Act leaves the question of the monetary standard best suited to India to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures.

It is now generally felt that having regard to the devaluation of the franc, the agreement between U. K., U. S. A. and France and the changes effected in Holland, Switzerland, Italy, etc., the time is ripe for a review of the basis of the Indian monetary system.

I do not wish to take up your time by repeating the many arguments in favour of adapting the rate of exchange so as to help general economic improvement of the people; but I may urge you to consider the desirability of reviewing the position suitably so that the feelings in the country may be smoothed.

With sincerest regards."

Copy of reply dated New Delhi, 14th December, 1936, from the Hon'ble Sir Percy James Grigg, Finance Member to Government of India, to Mr. D. P. Khaitan, President of the Federation.

"In reply to your letter of the 2nd December may I say with respect, but as categorically as I can, that the Government of India have no intention whatever of changing their present policy in regard to the rupee-sterling exchange."

Copy of a letter No. 10/475, dated 10th December, 1936, from the Indian Chamber of Commerce, Tuticorin, to the Federation.

"I have to communicate hereunder copy of the resolution passed by the Committee of this Chamber on the above subject and trust you will be pleased to do the needful in the matter.

I have forwarded a copy of the resolution to the Hon'ble the Finance Member to the Government of India with a request to take the necessary early steps in the direction."

> "This Committee is strongly in favour of the immediate devaluation of the Rupee in consonance with the procedure adopted (towards self-protection) by most of the advanced nations of the world with regard to their respective currencies; the Committee further feels that such a step would bring about an inflation of internal prices of commodities without any disturbance to the world parity of prices and ultimately benefit the agriculture, commerce and industry of the country."

Copy of a letter dated 19th December, 1936, from the Malabar Chamber of Commerce, Calicut, to the Federation.

"Resolution passed at a meeting of the Managing Committee of the Chamber on Thursday, the 17th December, 1936, and forwarded to the Government of India:—

> The Chamber regrets that His Excellency the Viceroy has declined to receive a deputation of the Curreny League, Madras, in connection with the change in the Rupee ratio. It considers that America and European countries having recently arrived at a currency agreement, the time is opportune for India to have a full investigation into the exchange ratio."

Copy of a letter No. F. 48 dated 6th January, 1937, from the Federation to the Indian Chamber of Commerce, Tuticorin.

"With reference to your letter No. 10/475 dated the 10th December, 1936, forwarding a copy of a resolution adopted by your Committee about the devaluation of the rupee, I am enclosing a copy of the correspondence that passed between the President and the Hon'ble the Finance Member, on this question. A copy of this correspondence was already forwarded to you under this office circular No. 1677 dated the 21st December, 1936."

REVISION OF INSURANCE LAW IN INDIA

Copy of a letter No. 36-I(3) dated 7th May, 1936, from the Government of India, Commerce Department, Simla, to the Federation.

"With reference to your letter No. F. 614, dated 1st May, 1936, I am directed to say that the Special Officer has already submitted to Government his report on the amendment of Insurance Law in India. The report is at present under the consideration of Government and no decision has yet been reached as to the further action to be taken on it. I am to say, however, that the interests concerned will be given ample opportunity to express their views before a Bill on the subject is introduced in the Legislature, and that in all probability the same procedure will be followed in this matter as was done in respect of the revision of Indian Company Law."

Copy of a letter No. F. 1473 dated 10th November, 1936, from the Federation to the Government of India, Commerce Department.

"I am directed to request you to forward to this office, for the use of the Committee of the Federation, a copy of the Report submitted by the Special Officer, Mr. Sen, on the Revision of the Insurance Law in India. I need hardly add that the document will be treated as confidential if so desired."

Copy of a letter No. 36-I(3)/36 dated the 26th November, 1936, from the Government of India, Commerce Department, to the Federation.

"With reference to your letter No. F. 1473 dated the 10th November, 1936, on the above subject, I am directed to say that Mr. Sen's report on Insurance Law is a purely departmental document and consequently copies thereof are not supplied to the public."

Copy of a letter No. F. 1664 dated 18th December, 1936, from the Federation to the Government of India, Commerce Department.

"I am directed to acknowledge receipt of your letter No. 36-I(3) dated the 26th November, 1936, and would like to invite your reference to a similar request made by this office to the Government in connection with Mr. Sen's Report on Revision of the Indian Companies' Act on 29th May last. The Government of India in the Commerce Department were then pleased to forward a copy of Mr. Sen's Report for the use of the Committee of the Federation though it was a departmental document. I shall, therefore, be obliged if the Government of India would be pleased to forward a copy of Mr. Sen's report on Insurance Law for the confidential information of the Committee."

Copy of a letter No. 36-I(3)/36 dated 6th January, 1937, from the Government of India, Commerce Department, to the Federation.

"With reference to your letter No. F. 1664 dated the 18th December, 1936, I am directed to say that both in regard to Company Law and Insurance Law copies of the Departmental Report were supplied only for the purposes of the Committee, i.e., for the confidential use of bodies represented thereon. In the case of the Company Law your Federation was so represented, whereas in the case of Insurance Law it was not, and this accounts for the difference as regards the supply to you of copies of the Reports."

Copy of a circular letter No. F. 236 dated 1st February, 1937, from the Federation to Member-bodies and Members of the Committee.

"I am directed to invite your Committee's/your attention to the Bill introduced in the Legislative Assembly on the 26th January, 1937, to consolidate and amend the law relating to the business of insurance. The Bill is fully reproduced in Part 5 of the Gazette of India dated 30th January, 1937. As it relates to an important subject of insurance, I trust it will receive your careful consideration. The Committee of the Federation, which are expected to meet on or about the 1st of March next, will take into consideration the Bill and will formulate their views thereon. I shall, therefore, be much obliged if you will be good enough to forward to me, for the use of the Committee, whatever views your Committee/you desire to express on the Bill. Your communication should reach this office not later than Wednesday, the 24th February, 1937."

Copy of a letter No. F. 43 dated 23rd February, 1937, from the Indian Life Assurance Offices Association, to the Federation.

"With reference to your circular letter No. F. 236 dated 1st February, 1937, I am directed to inform you that the matter is having our Committee's attention."

INDIAN TEA CESS ACT

Copy of an express letter No. 476(1)-Tr. (I.E.R.), dated 15th December, 1936, from the Government of India, Commerce Department to the Federation.

"It has been suggested that cess on tea produced in India and exported therefrom should be fixed under section 3 of Indian Tea Cess (Amendment) Act, 1936, at Rs. 1-4-0 per 100 lbs. Government of India will be glad to have your views by telegram."

Copy of a letter No. F. 1660 dated 18th December, 1936, from the Federation to the Government of India, Commerce Department.

"I am directed to acknowledge receipt of your express letter dated 15th December, 1936, received in this office on the 18th regarding the suggestion to increase the cess from the present rate of annas 12 to Re. 1/4/- per 100 lbs. on tea produced in India and exported therefrom. It will not be possible to forward to you the views of the Committee of the Federation at such a short notice, as they will have to consult the interests concerned. I hope to communicate to you their views by Tuesday, the 22nd December, 1936."

Copy of a telegram dated 18th December, 1936, from the Federation to the Indian Tea Planters' Association, Jalpaiguri.

"India Government suggest fixing cess rupee one annas four per hundred pounds tea produced in India and exported and want Federation's views by telegram stop please wire your association's views."

Copy of a telegram dated 19th December, 1936, from the Indian Tea Planters' Asosciation, Jalpaiguri, to the Federation.

"Association strongly protest increase tea cess to rupee one annas four from the current rate of twelve annas hundred pounds export teas stop suggest increase to rupee one as no case shown for such large increase stop assurances were given in assembly that increased rate will not be asked all at a time."

Copy of a letter No. 609 dated 22nd December, 1936, from the Indian Tea Planters' Association, to the Federation.

"I have for acknowledgment your telegram of the 18th instant reading as under:—

> "India Government suggest fixing cess rupee one annas four per hundred pounds tea produced in India and exported and want Federation's views by telegram stop please wire your association's views."

The question of increase in the actual tea cess levy has engaged the attention of the Committee of my Association for some time past and I am enclosing copy* of letter they have addressed to all Indian tea producers' associations and all Indian estates operating in India wherein my Committee has very clearly explained that no case had been made out for increase in the rate of tea cess levy immediately from rate of As. 12 to Re. 1/4/- per 100 lbs. and suggested a progressive increase to a maximum rate of Re. 1 for the year 1937. In coming up to this decision the Committee of my Association has considered all the facts and circumstances concerning tea industry in general and also the operations which are proposed to be made by the International Tea Market Expansion Board and by the Indian Marketing Board in foreign countries and in India. It is the considered view of my Association that under no circumstances the present rate should be increased beyond a maximum rate of Re. 1 per 100 bs. in the present instance. I have therefore wired you as under:—

> "Association strongly protest increase tea cess to rupee one annas four from the current rate of twelve annas hundred pounds export tea stop suggest increase to rupee one as no case shown for such large increase stop assurances were given in assembly that increase rate will not be asked all at a time.

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*Not printed.

which I now beg to confirm.

In view of the above the Committee of my Association trust that you will strongly recommend to Government that the actual levy in tea cess rate does not in the present circumstances exceed a rate of Re. 1 for the year 1937. Our views are also being held by several other Associations and I shall draw your particular attention to the Legislative Assembly debates of 10th October, 1936, at page 2913, the motion of Dr. Ziauddin Ahmed wherein he suggested a maximum levy of Re. 1 in the Bill. Though Mr. Milligan on behalf of the European section of the industry had pleaded that this taxation was a self-imposed measure of the producers' group but in actual practice this will indirectly raise the price of the commodity and also the working expenditure of the estate.

You will also observe that in the administrative services of the Tea Cess Committee no Indians are being employed and there may be only two Indians getting Rs. 150 or 200. Provision of high-salaried Anglo-Indians and people of other nationalities are unduly increasing the expenditure of Tea Cess Committee and you should on behalf of the Indian commercial community press for immediate Indianisation of all administrative jobs in the Committee.

My Association will be glad to receive copy of your reply to the Government of India and trust that their views will be strongly represented by you."

Copy of a letter No. F. 1723 dated 29th December, 1936, from the Federation to Government of India, Commerce Department.

"In continuation of my previous communication No. F. 1660 dated the 18th December, 1936, I am now directed to communicate to you the views of the Committee of the Federation as under.

2. When the Bill to amend the Indian Tea Cess (Amendment) Act was referred to the Committee of the Federation, they expressly recorded the view that the maximum limit of cess on tea produced in India and exported therefrom should be fixed at Re. 1 per 100 lbs. This view of theirs was based on the assumption that the Indian Tea Market Expansion Board would have, at their disposal, approximately an amount of Rs. 38 lakhs if the export of tea reached the 1929 standard figures and they felt that the amount would be sufficient enough for adequate propaganda in and outside India in favour of consumption of Indian tea. Their view was further supported by the Indian section of the industry which accounts for nearly 16 per cent. of the tea interests in India. Under Section 3 of the amended Act, it is the Indian Tea Market Expansion Board on whose recommendation the Governor-General-in-Council is to prescribe the rate of cess on tea produced in, and exported from, British India. The Indian Tea Market Expansion Board has not yet come into existence and the Committee of the Federation fail to understand the reasons that have justified the Govrnor-General-in-Council to anticipate the recommendations of a non-existing body. They, therefore, suggest that the proposal to raise the present tea cess from annas 12 to Re. 1/4/-

should be fully investigated by the future Indian Tea Market Expansion Board, and the Governor-General-in-Council should then prescribe the rate at which the cess should be levied on the export of Indian tea. In the meantime, the Committee of the Federation, after consulting the Indian interests concerned in the tea industry, beg to express the view that the present rate of annas 12 per 100 lbs. should be increased to Re. 1 on the recommendation of the Indian Market Expansion Board and the amount so made available will be adequate enough for the propaganda purposes during the year 1937."

INDIAN TEA MARKET EXPANSION BOARD

Copy of a telegram dated 8th December, 1936, from the Government of India, Department of Commerce, New Delhi, to the Federation.

"746-I-TR-IER please communicate by telegram name of your nominee under Section 4(2) of the Indian Cess Act 1903 as amended by Section 4B of the Indian Tea Cess Amendment Act, 1936, to serve on Indian Tea Market Expansion Board."

Copy of a letter No. F. 1611 dated 10th December, 1936, from the Federation to Government, Commerce Department.

"I am directed to acknowledge receipt of your telegram bearing No. 476-I-T.R.-I.E.R., dated the 8th instant addressed wrongly to Cawnpore and redirected to this place asking the Federation to nominate one Representative to serve on the Indian Tea Market Expansion Board. The Office of the Federation was located at Calcutta till 5th December, 1936, and has now shifted to New Delhi and is located at the above address. I shall thank you to forward all communications intended for the Federation to the address indicated above.

The procedure which the Committee of the Federation have to observe in nominating their representatives on public bodies generally takes a period of six weeks. It would not therefore be possible to convey to you by telegram the name of the Representative of the Federation to serve on the Indian Tea Market Expansion Board. I hope to forward you the name of the Representative of the Federation by Monday, the 18th January, 1937.'"

Copy of a circular letter No. F. 1615 dated 12th December, 1936, from the Federation to Member-bodies and Members of the Committee.

"I am directed to enclose a copy of a telegram received from the Government of India, Department of Commerce, New Delhi, asking the Federation to nominate one representative to serve on the Indian Tea Market Expansion Board. Under the Indian Tea Cess Amendment Act of 1936, the Federation is given one seat on the Indian Tea Market Expansion Board. I shall thank you to communicate to me the name of a person whom your Committee desire to nominate for election as the representative of the Federation on the said Board. Nominations should kindly reach this office on or before Saturday, the 2nd January, 1937."

Copy of an express letter dated 18th December, 1936, from the Government of India, Commerce Department to the Federation.

"Your letter No. F. 1611, dated 10th December, 1936, on above subject. It has been suggested that the rate of cess on tea produced in and exported from British India to be prescribed by Governor-General-in-Council under Section 3 of the Indian Tea Cess (Amendment) Act, 1936, should be raised from annas 12 to Re. 1/4/- immediately. Governor-General-in-Council is, however, unable to take action in this direction until Board comes into existence as rate has to be fixed on recommendation of Board. It is, therefore, requested that every endeavour may be made to send in your nomination within a week or ten days of receipt of this letter."

Copy of a telegram dated the 26th December, 1936, from the Federation to Mr. D. C. Ghose.

"Government want immediately provisional nomination Tea Expansion Board suggest provisionally recommending you provided you agree resign if another elected under double procedure please wire immediately."

Copy of a telegram dated 30th December, 1936, from Mr. D. C. Ghose, to the Federation.

"Referring your telegram twenty-sixth agree accepting Federations nomination Tea Market Expansion Board under conditions specified."

Copy of an express letter No. F. 1725 dated 30th December, 1936, from the Federation to Government of India, Commerce Department, New Delhi.

"With reference to your express letter dated the 18th December, 1936, I am now directed to suggest the name of Mr. Debes Chandra Ghose of Messrs. Ghose and Sons, Jalpaiguri, as the provisional representative of the Federation on the Indian Tea Market Expansion Board. As soon as the election of representative by the Member-bodies of the Federation is made, Mr. Debes Chandra Ghose will be replaced by the person duly elected."

Copy of a circular letter No. F. 1 dated 4th January, 1937, from the Federation to Member-bodies.

"In continuation of my circular letter No. F, 1615 dated 12th

December, 1936, I am directed to forward the names of the following persons nominated by the Member-bodies for election of one representative of the Federation on the Indian Tea Market Expansion Board:—

1. Mr. Debes Chandra Ghose, Joint Secretary, Indian Tea Planters' Association, Jalpaiguri.
2. Mr. A. C. Sen of Messrs. D. M. Das & Sons, Ltd., 22, Dalhousie Square, Calcutta.

I shall thank you to communicate to me the name of the candidate whom your Committee desire to elect as the Federation's representative on the above Board to reach this office not later than 16th January, 1937. Letters received after that date will not be taken into consideration for purposes of election."

Copy of a telegram dated 6th January, 1937, from the Indian Insurance Institute, Calcutta, to the Federation.

"Tea Expansion Board recommendation withdrawn Sen unwilling."

Copy of a circular letter No. F. 25 dated 6th January, 1937, from the Federation to all Member-bodies.

"In continuation of my circular letter No. F. 1 dated the 4th January, 1937, I have to-day received from the Member-body, which nominated Mr. A. C. Sen as a candidate for election, a telegraphic advice that it desires to withdraw the candidature of Mr. Sen owing to his unwillingness to stand. In view of there being no other candidate, Mr. Debes Chandra Ghose is duly declared elected to represent the Federation on the Indian Tea Market Expansion Board."

Copy of a letter No. F. 27 dated 6th January, 1937, from the Federation to the Government of India, Commerce Department, New Delhi.

"In continuation of my express letter No. F. 1725 dated 30th December, 1936, I am directed to communicate to you that Mr. Debes Chandra Ghose of Messrs. Ghose and Sons, Jalpaiguri, whose provisional nomination was intimated to you in my above letter, is now duly elected as representative of the Federation on the Indian Tea Market Expansion Board."

GOVERNING BODY OF THE IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH

Report submitted by Mr. Chunilal B. Mehta, Representative of the Federation on the Governing Body of the Imperial Council of Agricultural Research, on the work done at the meeting held on 20th August, 1936, being of a confidential nature is not printed in these records. But a copy of the same was circulated in confidence to the Members of the

Committee of the Federation and to such Member-bodies as applied for it.

GOVERNING BODY OF THE INTERNATIONAL LABOUR ORGANISATION

('The Report submitted by Mr. D. S. Erulkar, dated 29th May, 1936, on the April session of the Governing Body is printed in these records while dealing with the question of the appointment of an Indian expert on the 408 Committee, vide pages 122—128).

Copy of Report dated 15th November, 1936, submitted by Mr. D. S. Erulkar, to the Federation.

"The 77th Session of the Governing Body was held at Geneva from the 12th to the 15th November last.

One of the questions on the Agenda was the Revision of the Minimum Age (Industry) Convention to be placed on the Agenda of the 1937 Conference. Mr. N. M. Joshi, who attended the Session, proposed the revision of exceptions applying to India and Japan be also included into consideration. It will be recalled that Article 2 of the Minimum Age (Industrial) Convention prohibiting the employment of children under 14 years of age in industrial undertakings, does not apply to India. The relative Article 6 dealing with India, reads as under:—

> "The provisions of Article 2 shall not apply to India, but in India, children under twelve years of age shall not be employed:
>
> (a) In manufactories working with power and employing more than ten persons;
>
> (b) In mines, quarries, and other works for the extraction of minerals from the earth;
>
> (c) In the transport of passengers or goods, or mails, by rail, or in the handling of goods at docks, quays, and wharves, but excluding transport by hand."

Mr. Joshi admitted that conditions have improved, yet he pressed that this exception be put up for consideration. Sir Ferozkhan Noon, High Commissioner for India, opposed Mr. Joshi's proposal. I supported Sir Ferozkhan on the ground that as admitted by Mr. Joshi, employment of children workers was already on the decline and any action putting an immediate stop might recoil adversely not only on the industrial development of the country but on the material conditions of the workers, who had suffered severely during the depression. However, Mr. Joshi's proposal was carried, Sir Ferozkhan Noon and myself only voting against the proposal. Accordingly the revision of this exception will be placed on the Agenda of the 1937 Conference. You will no doubt acquaint the Indian Employers' Delegate at the next Labour Conference, with your views on this question. I might, however, suggest that the question needs to be investigated as to what extent, if any, is child labour helpful to Indian industrial development. Unless a very substantial case can be made out, I feel it will be difficult to urge the retention of the exception in its present form, and the Conference is bound to amend the exception, if not completely remove it. It will be useful in the meantime for you to consider to what extent you would be agreeable to modify the terms of the exception. It may be mentioned that the partial revision to be considered includes also raising the minimum age from 14 to 15 years under Article 2.

Another item which may be of interest to India was the setting up of a permanent Agricultural Committee. The term of the Committee will be three years from the date of its first session. Of 32 seats on the Committee, six are for members of the Governing Body (two from each Group), six for representatives of Agricultural Employers' Organizations, six for representatives of Workers' Organisations, fourteen for persons competent on social agricultural questions. In the absence of Agricultural Employers' and Workers' Organisations in India, we could not claim a regular seat, but we have a substitute place on the Employers' side. But the Government of India representative has been included among the fourteen competent persons and Mr. Zaman of the Indian High Commissioner's office has been named for the place. I have not given in any name as substitute to represent Indian Agricultural Employers, but shall await your wishes in the matter. Substitutes will only be entitled to take regular members' place when the latter is absent.

The next item of interest to India, was the Conference Resolution asking the Governing Body to take action to convene an Advisory Conference in an Asiatic country. Mr. Joshi, in pressing for such a Conference, favoured setting up a tripartite Committee consisting of representatives of Asiatic State members. Sir Ferozkhan Noon suggested the appointment of a small committee to settle the preliminary questions such as place of meeting, how the invitation was to be secured, expenses, questions on agenda. I opposed the appointment of such a Committee on the ground that such information could be ascertained by the office. The appointment of the Committee was, however, agreed to, consisting of all members of the Governing Body from Asiatic countries. This Committee met and after discussing the matter, have asked the office to prepare for the February, 1937, Session of the Governing Body, a note on the following questions:—

(a) The scope of the proposed regional Asiatic Conference. How such a Conference is to be convened.

(b) The cost involved.

(c) How the cost is to be met.

It is also proposed to include in the agenda the question of the Constitution of a permanent committee of Asiatic countries.

As the Office note on these questions will be discussed by the Asiatic members of the Governing Body before the February session of the Governing Body meets, I shall appreciate your views on these questions to reach me before then.

I might add when this question was under discussion, several members representing European countries, such as Great Britain, France and Holland, raised the question of their right to participate in such Conference in view of their interests in Asiatic countries. This, I anticipate, is going to be a thorny question as if such a right is conceded, the Conference loses its Asiatic character besides the anomalous position of the European interests will be represented only as Employers, and some Governments. In view, however, of their large interests, the Governing Body will have to agree to their representation, but to what extent such representation is to be restricted, will have to be considered. If you have any views on this subject, I shall be glad to be informed of same.

The next item of interest to India, was the appointment of Sir Atul Chatterjee in place of Sir Selwyn Fremantle on the Committee of Experts on the 408 Committee. I welcome the appointment of Sir Atul as implementing the principle of nationality recognized at my instance by the Governing Body at its 75th Session. In this connection, I send you a copy of the Office note on this question, (G.B. 77-14/123) at p. 3 whereof you will notice that my claim for appointment of an Indian National on this Committee has been recorded as recognized. You will, I trust, receive this recognition with satisfaction.

I might mention that the next Labour Conference will commence on the 3rd June, and the Agenda consists of the following questions:—

1. Safety provisions for workers in the building industry with reference to scaffolding and hoisting machinery.
2. Reduction of hours of work in the textile industry.
3. Planning of public works in relation to employment.
4. Reduction of hours of work in printing and kindred trades
5. Reduction of hours of work in the chemical industry."

Copy of a circular letter No. F. 104 dated 13th January, 1937, from the Federation to Member-bodies and Members of the Committee.

"I am directed to forward herewith a copy of Report submitted by Mr. D. S. Erulkar on the 77th Session of the Governing Body of the International Labour Organization held at Geneva from 12th to 15th November, 1936, and to invite any remarks which your Committee or you may like to forward thereon."

Copy of a letter No. F. 106 dated 13th January, 1937, from the Federation to Mr. D. S. Erulkar, London.

"I am directed to acknowledge receipt of your report dated 5th January, 1937, addressed to the President and Members of the Committee on the work done at the 77th session of the Governing Body of the

International Labour Organization and to thank you for the same. The report is being circulated to Member-bodies and Members of the Committee.

As regards the Representative of India on the 408 Committee, I am enclosing a copy of a reply which I have received from the Government of India in this regard.

Regarding the revision of Article 6 of the Minimum Age (Industry) Convention, I am consulting the Committee and will accordingly advise the Employers' Delegate and his Adviser.

As regards the nomination of a substitute to represent Indian agricultural employers, I am consulting the Committee in the matter.

As regards the holding of an Advisory Conference in an Asiatic country, I am getting in touch with the President and will let you know in due course.

The Committee of the Federation, the All-India Organization of Industrial Employers and the Employers' Federation of India have recommended the nomination of Sir Hormusji P. Mody, K.B.E., as the Employers' Delegate and Mr. Gaganvihary L. Mehta, Calcutta, as his Adviser."

AGRICULTURAL COMMITTEE OF I. L. O.

Copy of a letter No. F. 146 dated 19th January, 1937, from the Federation to Seth Walchand Hirachand.

"I am directed to invite your attention to the Report submitted by Mr. D. S. Erulkar to the Members of the Committee on the 77th Session of the Governing Body of the I.L.O. particularly to the subject of a permanent Agricultural Committee referred to therein. Indian agricultural employers are given a substitute place on that Committee and Mr. Erulkar wants to know the wishes of the Federation as regards the person whom he should recommend on behalf of the agricultural employers. There are no agricultural employers' organizations in our country but as Mr. Erulkar wanted a name to be suggested to the Governing Body for a substitute member, I submitted to the President that you being one of the big agricultural employers, should be recommended to the Committee of the Federation as a substitute member on the Agricultural Committee. The President has agreed to my suggestion. I shall, therefore, thank you to write to me by return of post whether you agree to serve as a substitute member on the Agricultural Committee of the I.L.O. if the Committee of the Federation agree to suggest your name for nomination on the Committee. On hearing from you, I will circulate your name to the members of the Committee for approval."

Copy of a letter dated 21st January, 1937, from Seth Walchand Hirachand, to the Federation.

"This is to acknowledge receipt of your letter of the 19th.

I agree to serve as a substitute member on the Agricultural Committee of I.L.O. if the Committee of the Federation agree to suggest my name for nomination on that Committee."

Copy of a circular letter No. F. 177 dated 23rd January, 1937, from the Federation to Members of the Committee.

"The Governing Body of the International Labour Organization, at their November, 1936, Session held in Geneva, decided to constitute a Permanent Agricultural Committee to deal with questions relating to agriculture. The Committee consist of 32 regular Members allotted as under:—

6 seats to Members of the Governing Body—

(2 for Government group, 2 for Employers' group and 2 for Workers' Group).

6 seats for Agricultural Employers' Organizations in England,

Italy, Polland, Sweden, Czechoslovakia and Yugoslovia.

In the absence of agricultural employers and workers' organizations in India, no regular seat was allotted to her but the Employers' Group secured a place for a substitute member.

6 seats for representatives of Agricultural Workers' Organizations.

14 seats for persons competent on social agricultural questions.

The Government of India secured a seat for their representative among the 14 competent persons and Mr. Zaman of the India High Commissioner's Office has been recommended for the place.

Mr. D. S. Erulkar, our representative on the Governing Body, did not suggest any name for the Substitute Member to represent Indian agricultural employers and has written to the Federation in the matter (vide para 3 of his report dated 5th January, 1937, already circulated under this office circular No. F. 104 of the 13th January, 1937). The President suggests that Mr. Walchand Hirachand being one of the big agricultural employers in India, should be recommended for nomination by the Governing Body to the Substitute Member's place. Mr. Walchand Hirachand has agreed to serve in that capacity if elected by the Committee. I shall, therefore, thank you to communicate to me your wishes in the matter. Your reply should kindly reach me by Monday the 1st February, 1937.

Communication No. F. 204 dated 26th January, 1937, from the Federation to Mr. D. S. Erulkar, being of a confidential nature is not reproduced here in these records."

Copy of a cable dated 1st February, 1937, from the Federation to Mr. D. S. Erulkar, London.

"Reference nomination substitute Member Permanent Agricultural Committee Federation Committee recommend Seth Walchand Hirachand's name."

Copy of a circular letter No. F. 244 dated 3rd February, 1937, from the Federation to Members of the Committee.

"With reference to my circular letter No. F. 177 dated the 23rd January, 1937, I am now directed to communicate to you the desire of the Committee of the Federation to recommend the name of Mr. Walchand Hirachand, Bombay, for nomination by the Governing Body of the International Labour Organization as a Substitute Member representing Indian agricultural employers on the Permanent Agricultural Committee. I have accordingly communicated the decision of the Committee to their representative, Mr. D. S. Erulkar, on the Governing Body of the International Labour Organization."

Copy of a letter No. F. 245 dated 4th February, 1937, from the Federation to Seth Walchand Hirachand.

"I have great pleasure in announcing to you the desire of the Committee of the Federation to recommend your name, through their nominee, Mr. D. S. Erulkar, to the Governing Body of the International Labour Organization, for nomination of a Substitute Member on the Permanent Agricultural Committee. I have already communicated the decision of the Committee to Mr. D. S. Erulkar, for necessary action in the matter."

INTERNATIONAL ORGANIZATION OF INDUSTRIAL EMPLOYERS

Copy of a telegram dated 2nd March, 1937, from the President, of the Federation to Mr. D. S. Erulkar, London.

"Federation Committee at meeting first March convey warmest congratulations on your election as President International Organization Industrial Employers stop Committee thank you for arduous work in representing Indian employers."

APPOINTMENT OF AN ECONOMIC ADVISER

Copy of a circular letter No. F. 59 dated 7th January, 1937, from the Federation to Members of the Committee.

"Some time back in July last, there was a press report to the effect that the Government of India were contemplating appointing an American as their Economic Adviser. To elicit definite information from the Government, Mr. S. Satyamurti asked certain questions in the Legislative Assembly. I am enclosing a copy of the questions and answers given on this subject.

The Malabar Chamber of Commerce, Calicut, has forwarded to the Federation a copy of a resolution adopted by its Managing Committee on this subject. The President has directed me to enquire whether the Members of the Committee would like to address any representation to the Government of India on this question. They are, therefore, requested to communicate their views to reach me not later than Monday the 18th January, 1937."

Extract from the Legislative Assembly Debates dated 17th September, 1936, on the appointment of an Economic Adviser to the Government of India.

Mr. S. Satyamurti: Will Government be pleased to state:

(a) Whether they propose to offer the post of Economic Adviser to the Government of India to an American; and

(b) Whether they have exhausted all available Indian talent in this matter?

The Hon'ble Sir Muhammad Zafrullah Khan: (a) and (b). The matter is still under the consideration of the Government of India.

Mr. T. S. Avinashilingam Chettiar: May I know when do they hope to select this Economic Adviser?

The Hon'ble Sir Muhammad Zafrullah Khan: As soon as a suitable individual is available.

Mr. S. Satyamurti: May I know what is under consideration? The creation of a post of an Economic Adviser to the Government of India, or the offer thereof to an American?

The Hon'ble Sir Muhammad Zafrullah Khan: The question under consideration is as to who should be appointed to this post.

Mr. S. Satyamurti: May I know if there is any American name which is being considered?

The Hon'ble Sir Muhammad Zafrullah Khan: So far as I am aware, No.

Mr. T. S. Avinashilingam Chettiar: Are any names being considered?

The Hon'ble Sir Muhammad Zafrullah Khan: Yes, Sir.

Mr. T. S. Avinashilingam Chettiar: Are there any Indians in that list of people?

The Hon'ble Sir Muhammad Zafrullah Khan: The whole question is under consideration. I am afraid I am unable to disclose any further information with regard to this matter.

Mr. T. S. Avinashilingam Chettiar: May I know whether any names of Indians in the list of persons are being considered.

The Hon'ble Sir Muhammad Zafrullah Khan: No, Sir, the Hon'ble Member may not know.

Pandit Lakshmi Kanta Maitra: What is the pay attached to this post?

The Hon'ble Sir Muhammad Zafrullah Khan: That matter is also still under consideration. It has not yet been finally settled.

Mr. T. S. Avinashilingam Chettiar: Does it mean that there are no Indians on that list?

The Hon'ble Sir Muhammad Zafrullah Khan: I have already answered that.

Mr. S. Satyamurti: What are the functions of this Economic Adviser?

The Hon'ble Sir Muhammad Zafrullah Khan: To advise the different Department of Government on economic questions.

Pandit Lakshmi Kanta Maitra: Is it a new post or is it an old post?

The Hon'ble Sir Muhammad Zafrullah: If the Hon'ble Member is aware of any Economic Adviser under the present arrangements, then it is not a new post, otherwise it is.

Copy of a Resolution passed at the meeting of the Managing Committee of the Malabar Chamber of Commerce, Calicut, on the 17th December, 1936.

"This Chamber views with alarm the report in the press about the appointment of a foreign expert as the Economic Advisor to the Government of India. This Chamber is of definite opinion that a thorough knowledge of Indian conditions is essential for a key position like that of an economic advisor, and requests the Government to give full consideration to this view before finally making the appointment."

Copy of a letter No. F. 194 dated 26th January, 1937, from the Federation to Government of India, Commerce Department, New Delhi.

"I am directed by the Committee of the Federation to convey to you, for the information of the Government of India, their views regarding the appointment of an Economic Adviser, the question of whose appointment was the subject matter of certain interpellations at the Simla Session of the Legislative Assembly in September, 1936.

2. From the replies given by the Hon'ble Sir Muhammad Zafrullah Khan, the Commerce Member, it appears to the Committee that the Government of India intend to create a new post to advise the different departments of Government on economic questions and that they have under their consideration the question of appointment to that post. The Committee, at the outset, would like to enquire of the Government of India as to the necessity of creating a new post of responsibility carrying with it the function of tendering advice to the Government of India on various economic questions and influencing thereby their economic policy, particularly at a time when the present Central Government would give place to a Federal one under the Government of India Act of 1935. The Committee feel that the present Central Government should not create such an important post, the creation of which may unnecessarily embarrass the future Federal Ministers' work under the new Act. The Governor-General, under the new Act, is entitled to have the services of a Financial Adviser and such other Advisers not exceeding three in number to advise him on matters that lie within the purview of his discretion. It is, therefore, the considered opinion of the Committee that no such post should be created at this present juncture. If the Federal Ministers feel that such a post is necessary for advising them in their attempt to renovate the whole economic structure of the Federal Government, then it would be for them to create such a post and to appoint a suitable Indian to it.

3. As it appears from the answers given by the Hon'ble Commerce Member in the Legislative Assembly that the Government of India will be considering as to who should be appointed to the post when created, the Committee would like to point out that for an important post like the Economic Adviser, it is necessary that the person occupying it should have an intimate knowledge of the economic and financial conditions prevailing in this country and he should be one possessing direct personnel experience with regard to a number of problems concerning India. The Committee, therefore, desire to urge that the question of creating such a post should be deferred till the Federal Government comes into existence, and if the Government of India are intent upon creating such a post, it is essential to have an experienced Indian appointed to it. The Committee will much appreciate an early indication of the Government of India's intentions on this questions.

UNIFORMITY IN EXCISE REGULATIONS

Copy of a letter dated 11th December, 1936, from the Alembic Chemical Works, Co., Ltd., Baroda, to the Federation.

"We beg to enclose for your careful perusal a copy of the *Memorandum on the Spirit and Pharmaceutical Industry of India with a discussion of its difficulties, needs and requirements, which has been prepared by us. You are probably aware that the Excise restrictions of the different Provincial Governments have created strong inter-provincial barriers to trade and industry in spirituous medicinal and toilet prepa-

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* Not printed.

rations etc., and also that the absence of an Indian Drug and Pharmacy Act has encouraged trade in adulterated and spurious drugs, putting to disadvantage the bona-fide manufacturers.

The Memorandum discusses in full all these problems and you as a body specially interested in trade and industry would, we hope, do all in your power, by representations to Governments, and through your representatives in the legislature to get the disabilities removed and smooth the progress of the industry.

We would request your Committee to consider the question very carefully and take all the necessary steps in the desired direction. We shall also be glad to hear from you from time to time what action your Committee are taking in the matter and to receive from your copies of any correspondence that you may be pleased to carry on with the authorities concerned in this matter.

Please acknowledge receipt of the Memorandum."

Copy of an immediate letter No. F. 80 dated 9th January, 1937, from the Federation to Messrs. The Alembic Chemical Works, Co., Ltd., Baroda.

"With reference to the communication from your office dated the 11th December, 1936, forwarding a copy of the Memorandum on the Spirit and Pharmaceutical Industry of India, I shall feel obliged if you will be good enough to forward one set of documents comprising of—

1. A memorandum on the Spirit and Pharmaceutical Industry of India with a discussion of its difficulties, needs and requirements.
2. A note with an Appeal to Lord Linlithgow.

to each of the Members of the Committee of the Federation. I am enclosing a list of members of the committee of the Federation with their addresses for this purpose. I shall also thank you to forward to me two sets of the above documents to my office for my use."

Copy of a circular letter No. F. 206 dated 27th January, 1937, from the Federation to Members of the Committee.

"Some time back, the Alembic Chemical Works of Baroda addressed a letter to the Federation forwarding a copy of its appeal to the Viceroy in connection with certain handicaps which the spirit and pharmaceutical industry in India in general and the Alembic Chemical Works in particular have to face in several provinces as a result of varied excise regulations in force. I have written to the Alembic Chemical Works to forward to you a copy of the memorandum and the note issued by them on this question for your information, and I understand from them that they have already posted a copy to you. This was also the subject of a series of interpellations in the Simla Session of the Legislative Assembly and on 4th September, 1936, in reply to certain questions put by Seth Govind Das, M.L.A., Mr. A. H. Lloyd stated that the Government of India had no authority to interfere with the discretion of Local Governments since excise became a provincial transferred subject. He further stated that the Government of India did not contemplate discussing this question at the Eighth Session of the Industries Conference and that the first move towards uniform excise regulations must come from the local Governments themselves.

From the replies given by Mr. A. H. Lloyd in the Legislative Assembly on Monday, the 25th January, 1937, it seems that the question was discussed at the Eighth Industries Conference held in Lucknow in December, 1936, and that the Conference arrived at the conclusion that a uniform set of excise rules was desirable and that the question should be referred to a meeting of the Excise Commissioners who should be assisted by selected Directors of Industries and the Government of India had approached the Provincial Governments to consider the proposal. In view of the recent announcement by the Government of India, it is not necessary for the Committee to go into the details of this question beyond expressing the view that there should be uniform excise regulations and that they should not discriminate between the products of one province against another and that they should not create handicaps in the way of easy internal movement of such products against imports of similar products from foreign countries. I am enclosing a *draft of a letter to be addressed to the Government of India in this connection for your approval and shall be much obliged if you will be good enough to convey to me whatever suggestions and alterations you may desire to make therein. Your replies should reach this office not later than Monday, the 8th February, 1937."

Copy of a letter No. F. 314 dated 23rd February, 1937, from the Federation to Government of India, Commerce Department, New Delhi.

"I am directed by the Committee of the Federation to address the Government of India on certain aspects of administration of excise regulations in various provinces. It is brought to the notice of the Committee that excise regulations in the various provinces are not on uniform basis and that the rates of excise duties leviable on spirit and spirituous preparations vary from province to province. In certain provinces, excise duties on certain preparations produced in the provinces themselves are different from those leviable on similar products coming into those provinces from other provinces. Such a diversity of procedure in the administration of an important branch of the Provincial Govt. is bound to affect the internal movement of indigenous products from one province to another. The procedure as regards the import and export permit laid down by some of the provinces in the administration of their excise regulations is such as to practically prohibit import of spirituous and pharmaceutical preparations containing spirit from other provinces in India. With the growing development of small industries utilizing as raw materials

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* Draft not printed.

products which are subject to excise regulations, such diversity in the procedure varying from province to province is bound to affect the normal course of developments of such industries as manufacture of spirituous, medicinal and toilet preparations.

2. Under the customs tariff, imports of spirituous, medicinal or toilet preparations from foreign countries into India enjoy greater facilities in their movement from one province to another, as once they are taxed under the customs tariff, at the place of entry into British India, these imports are immune from any further imposition of taxes under excise regulations. The Committee of the Federation would like to point out that similar preparations and products manufactured in India are put in a disadvantageous position compared to imports of such products from foreign countries owing to their being subjected to varying duties leviable under excise regulations.

3. From the replies given by Mr. A. H. Lloyd on behalf of the Government of India in the Legislative Assembly on Monday, the 25th January, 1937, on the question of removing the existing inter-provincial barriers to trade in the pharmaceutical industry, the Committee understand that the Eighth Session of the Industries Conference, which was held in Lucknow in December, 1936, arrived at a conclusion that a uniform rate of excise duties was desirable and that the excise should be collected at the source under the supervision of the local excise authorities and credited to the province or the state where the goods are consumed. The Conference further decided that the question should be referred to a meeting of Excise Commissioners of the various provinces. The Committee are glad to note the decisions arrived at at the Eighth Industries Conference and trust that the Provincial Governments would agree to participate in such a Conference and would try to introduce uniform excise laws in their administration of the Excise Department with a view to remove all the disadvantages to which indigenous products are subjected as compared to imports of similar products from foreign countries. The Committee feel that it is necessary that prior to the operation of provincial autonomy, steps should be taken by the Central Government, in consultation with provincial administrations, to prevent in future the tendency to introduce provincial protection by means of excise duties to industries situated in their respective areas. The Committee further express the hope that the Government of India would, therefore, expedite consideration of this question and would be instrumental in bringing about uniformity in provincial excise regulations all over India.

Copy of a letter No. F. 331 dated 24th February, 1937, from the Federation to Alembic Chemical Works, Co., Ltd., Baroda.

"I am directed to forward herewith, for your information, a copy of a communication addressed by the Committee of the Federation to the Government of India in the Department of Commerce, New Delhi, on the above subject."

Copy of a letter No. C-470-E. O./36 dated 8th March, 1937, from the Government of India, Finance Department to the Federation.

"With reference to your letter No. F. 314, dated the 23rd of February, 1937 to the Department of Commerce I am directed to say that the Government of India have already informed Local Governments that they are prepared to convene a Conference of Excise Commissioners if the Local Governments so desire. Replies to this proposal are not yet complete."

BUDGET PROPOSALS OF THE GOVERNMENT OF INDIA FOR THE YEAR 1937-38

The Committee of the Federation of Indian Chambers of Commerce and Industry have addressed the following communication to the Secretary to the Government of India, Finance Department, New Delhi, conveying their views on the Budget proposals for 1937-38:

"I am directed by the Committee of the Federation of Indian Chambers of Commerce and Industry to address you as under on the Budget speech of the Hon'ble the Finance Member:—

The Committee find it difficult to endorse the optimistic view taken by the Finance Member in regard to the economic and financial situation of the country. It may be true that there are a few purple patches here and there both in regard to certain industries and to the modest increase in export activity. But the Committee are definitely of opinion that the improvement in the prices of commodities has not gone sufficiently far to materially affect the masses of the country the betterment of whose position alone can justify an optimistic view about the economic situation in the country. If there is any recovery in the export trade, it cannot be forgotten that this country is still far remote from the position of a few years ago when exports were very nearly double the present figure. The Finance Member's treating the deficit of three crores and forty-two lakhs as a matter of small consequence in a budget running into eighty crores is in the opinion of the Committee a sad commentary on the general attitude of the Government in this country in disregarding the reality of the country's poverty and lack of resistance capacity to meet adverse circumstances. The budget of Rs 80 crores for the Central Government is undoubtedly a large figure for a poor country like India, and particularly so when almost the entire amount of expenditure is restricted to essential services like the Army and Civil Administration on the extravagant basis of high salaries and remuneration entirely ill-suited to the economic conditions of the country. The Finance Member's Budget speech makes not the slightest attempt at either providing directly for measures of social relief and improvement nor indirectly to create conditions and atmosphere in the country which would further the economic betterment of the masses. The Finance Member made too much of the necessity of concentrating on measures of rural uplift during the last two years. But as was generally anticipated by the commercial classes in the country, the Finance Member's protestations and those in that regard have ultimately proved to have more a political basis than a genuine solicitude for the amelioration of the countless millions of this country, The Committee of the Federation believe that the Finance Member has resorted to the facile and easy manner of bridging the gap between Revenue and Expenditure by proposing increase in taxation and without making any attempt at further retrenchment in the expenditure at the Centre. The Army Expenditure still continues to absorb over fifty per cent. of the taxable revenues of the Centre and instead of holding out any hopes for substantial saving under that head we have been warned that in the coming years this expenditure may still further increase. No endeavour has been made in the direction of reducing expenditure on the civil administration which has been entirely top-heavy and extravagant. No Finance Member who can claim any grip of the real economic situation of the country can acquiesce in the perpetuation of the existing scale and grades of remuneration to the higher officials the benefits derived by whom offer at any time a tragic contrast to the average income per head of the 350 millions of this country. The fact that the Finance Member himself had to deliver "a story of disappointment in his Budget speech" completely confirms the Federation's views expressed in the past that the restoration of the salary cut was entirely premature and unjustified in the circumstances under which it was made. As a matter of fact the establishments of new Provincial Governments, the separation of Burma and the repercussions of this on the finances at the Centre make it all the more imperative again that there should not only be a fresh cut of 10 per cent. on the salaries of all Government servants but that a fresh investigation should be made with a view to revise the grades and salaries of Government officials. Surely the Committee take it that it cannot be the opinion of the Government of India that their duty begins and ends with raising revenue which is just sufficient to maintain the essential services in the country. A Budget of eighty crores with the necessary retrenchment both in civil and military expenditure should make possible the initiation of social services which would ultimately result in increasing the purchasing power of the country and consequently bringing in more revenues to the Central coffers. But the Committee have been sadly impressed by the entire lack of imagination and far-sightedness on the part of the Finance Member in framing his budget proposals.

Coming to the actual proposals for increased taxation the Committee must record their emphatic protest against the treatment meted out to the sugar industry. It appears that the attitude of the Government of India in regard to sugar industry has been largely clouded by the loss of about ten crores of revenue on import of sugar in the past. But, surely, that can hardly be reconciled with the objective for which protection was granted to the industry. Government, on the contrary, ought to congratulate themselves that the scheme of protection for sugar industry has had such a ready measure of success and instead of creating one hurdle after another in the way of the development and consolidation of this new industry, Government should have stayed their hands at this stage, particularly when they have themselves ordered a fresh inquiry into the state of the industry. The Committee cannot accept the contention of the Finance Member that increased excise duty will bring about a state of the survival of the fittest in the industry. One thing about which the Committee are certain is that instead of wiping out the weakest units in the industry it will adversely affect the agriculturist who has undoubtedly been helped by the creation of a large sugar industry in the country. The Finance Member cannot forget that the increase in the acreage under sugarcane is a remarkable testimony to the direct benefit conferred on the Indian agriculturist at a time when he has been finding it difficult to market some of his accustomed produce. The Committee believe that it is not yet too late for the Finance Member to reconsider his proposal and, at least, to allow the industry to consolidate itself till the time when the Tariff Board has submitted its report and recommendations.

In paragraph 21 of the Budget speech the Finance Member expresses a definite opinion that the rupee is not overvalued in light of the fact that the favourable balance of trade has now amounted to fifty crores against nineteen crores during the corresponding period of last year. At the same time he cannot shake himself free from the anxiety of stopping imports of silver. The Finance Member may not like to say it publicly but it can hardly be concealed from the commercial public of this country that Government's persistent refusal to discourage exports of gold from the country and their anxiety now to check imports of silver can only find their back-ground in their consequent anxiety to maintain the inflated value of the Rupee at 18d. though temporarily exports of gold and a slight improvement in commodity exports may have brought some relief to Government. The Committee are definitely of opinion that the Finance Member is interposing an unfair barrier to this country's right to import precious metals in liquidation of its increasing favourable balance of trade. While completely opposing the Finance Member's proposal to increase import duty on silver, the Committee after careful consideration have definitely come to the conclusion that the best interests of the country demand that Government should not sell any more silver at the prices prevalent to-day. The Committee have been particularly influenced in this decision by their unfortunate experience that sales of silver by Government have not been substituted by proportionate acquisition of gold and that on balance the country is allowed to be denuded further and further of its capital resources in the form of gold and silver holdings by this twin policy of allowing gold to leave the country unchecked and by discouraging imports of silver. Imports of silver cannot entirely be judged by narrow consideration of revenue alone but must be considered in the light of larger interests of the country.

The Committee must take strong exception to the partisan attitude of the Finance Member in regard to imports of Lancashire goods. If the Finance Member's contention and view of the situation is correct that the lowering of duty on the U. K. products cannot lead to recapturing any part of the Indian market by them it is certainly incomprehensible to the Committee why the Government of India should have been deprived of the benefit of increased duties on U. K. goods. If Indian apprehensions in this regard have proved exaggerated—though it is hardly fair to judge the situation entirely in the light of the past few months—certainly the claims of the Lancashire manufacturers that they could sell more goods to India if duties were lower have equally proved futile and groundless, In criticising the Budget proposals last year, the Committee pointed out that in consonance with canons of sound public finance the expenditure on Quetta should have been debited to capital and as a part of this expenditure is again proposed to be defrayed out of revenue, the Committee must reiterate their disagreement with Government on this head.

The Hon'ble the Finance Member has sought to explain the falling off in income-tax receipts by reference to the diminuation in credit extended by money-lenders in the agricultural areas and this diminution he ascribes to the Provincial Rural Indebtedness Acts. The Committee have already made their position clear in regard to this legislation. They yield to none in their solicitude for according the much needed relief to the improvident agriculturist carrying a huge load of debt. But at the same time they cannot help pointing out that the lines on which this legislation has been enacted in certain provinces have not been calculated to achieve the objective in view. But, all the same, it also needs to be pointed out that the profits of the money-lenders can only come out of the improved economic state of the agriculturists, and unless there is a visible betterment for him through a substantial increase in the price of primary commodities and through the securing to them of subsidiary occupations, legislation for relief of rural indebtedness, apart from bringing some relief, cannot create such conditions."

INCOME TAX EXPERTS COMMITTEE'S REPORT

Copy of a cicular letter No. 373 dated 13th March, 1937, from the Federation to Member-bodies and Members of the Committee.

"I am directed to inform you that the Committee of the Federation that met in Bombay on 1st March, 1937, while considering the report submitted by the Experts Committee to Government, felt that the recommendations made therein were of a very far-reaching character affecting not only the present incidence of tax but they had also tried to infringe rights that under Indian conditions, were necessary to allow the people and they had in fact invested in them from time immemorial. Particular mention may be made of undivided families, wives and minor sons. The Committee further feel that these recommendations, if incorporated into an amending Bill, will also adversely affect the industrial and trading concerns in various ways. They have, therefore, appointed a Special Committee consisting of Mr. D. P. Khaitan, the President, Mr. Kasturbhai Lalbhai and Mr. Walchand Hirachand, to take all necessary steps to safeguard the reasonable interests of the assessees. As it may not be possible for this Special Committee to conclude its labours by the end of April next, the Government of India have been approached by this office to extend the time limit to 31st July, 1937.

The programme which the Special Committee has in view is the engagement of income-tax experts and legal advisers for critically examining each and every recommendation of the Experts Committee and to get prepared detailed notes on each and every recommendation

A comparative analysis will also be prepared of the law and administration in the United Kingdom and India with a view to recommend such of the salient features of the English law as are conducive to the proper advancement of trade and industry of this country. It is expected that the memorandum of the Special Committee in regard to this question will be ready some time by the end of May next, when it will be made available to all Member-bodies for their use. I have, therefore, to suggest that you should also write to the Government of India asking for an extension of time to 31st July, 1937 for submission of views on the report."

INTERPRETATION OF THE TERM 'JANGAD' IN THE JEWELLERY TRADE OF INDIA

Copy of a letter dated 18th January, 1937, from the Bombay Diamond Merchants' Association, Bombay, to the President of the Federation.

"I am enclosing herewith a copy of the Memorandum* submitted by my Association to the Law Member of the Executive Council, Government of India and a copy of the Statement made by the deputation of the representatives of all-India Jewellers which waited upon the Law Member on the 14th instant and a copy of the Law Member's reply to it for your perusal and request you to support the said memorandum and statement by writing to the Secretary, Legislative Department on the issue raised therein and oblige."

Copy of a letter No. F. 223 dated 1st February, 1937, from the Federation to the Bombay Diamond Merchants' Association.

"I am directed to acknowledge receipt of your letter of the 18th ultimo addressed to the President forwarding to him a copy of the memorandum submitted by your Association to the Law Member to the Government of India and other relevant papers. I am further to state that the matter is receiving the attention of the Committee of the Federation and shall communicate to you their decision in the matter. In the meanwhile I shall thank you to forward a copy of your memorandum and other relevant papers to each of the Members of the Committee of the Federation. I am enclosing address slips of the Members of the Committee of the Federation for this purpose."

Copy of a circular letter No. F. 224 dated 1st February, 1937, from the Federation to Members of the Committee.

"The Bombay Diamond Merchants' Association, Bombay, led a deputation supported by the jewellery trade from all parts of India to the Law Member to the Government of India regarding the situation that has arisen from the recent judgment delivered by the Appellate Bench of the Bombay High Court regarding the interpretation of the expression "Jangad." I have requested the Bombay Diamond Merchants' Association to forward to you, for your information, a copy of the memorandum submitted by them to the Law Member, which deals in detail with the question. The jewellery trade apprehends that in view of the recently delivered judgment referred to above, the morale of the middleman or broker in the trade may deteriorate and the trade may suffer irretrievable loss as the interpretation may put a premium on the fraudulent and dishonest practices of middlemen. They contend that prior to the delivery of the judgment, police used to take cognizance of a complaint and the aggrieved merchant used to get some relief by prompt investigation of the offence, and in a number of cases, property disposed of fraudulently used to be recovered. Though there is a good deal of genuine ground for apprehension, there is another aspect of the question which I have referred to in the accompanying draft. If the Members of the Committee agree that they should approach the Government of India in the Legislative Department to take a favourable view of the representation submitted by the Bombay Diamond Merchants' Association, they are kindly requested to communicate to this office whether the Government of India should be approached in the manner indicated in the accompanying draft. They are further requested to suggest whatever alterations or modifications they desire the office to incorporate in the draft*. Such suggestions should kindly reach this office not later than Monday, the 15th February, 1937.'"

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*Not printed.

Copy of a letter No. 374 dated 13th March, 1937, from the Federation to Government of India, Legislative Department, New Delhi.

"I am directed by the Committee of the Federation to state that they lend their support to the memorandum submitted by the Diamond Merchants' Association, Bombay, to the Hon'ble the Law Member, Sir Nripendra Nath Sircar, on the question of interpretation of the expression "Jangad" and the transactions made thereunder."

Copy of a letter No. F. 375 dated 13th March, 1937, from the Federation to the Hon'ble Sir Nripendra Nath Sircar, Law Member to the Government of India.

"I am directed to enclose, for your information, a copy of communication addressed by the Committee of the Federation to the Secretary to the Government of India, Legislative Department, New Delhi, on the above subject."

Copy of a letter No. F. 391 dated 13th March, 1937, from the Federation to the Bombay Diamond Merchants' Association, Bombay.

"I am directed to enclose herewith for your information, a copy of a letter addressed by the Committee of the Federation to the Government of India, Legislative Department, on the above subject."

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*Not printed.

RICE STANDING COMMITTEE

Copy of a report submitted by Mr. Asutosh Bhattacharyya to the Federation.

"I have much pleasure in sending the following report of my work in connection with the first meeting of the Rice Standing Committee of the I.C.A.R., which I attended at New Delhi on 22nd and 23rd January, 1937, and I shall be glad if you circulate it amongst your Member-bodies.

I invited suggestions from Member-bodies for discussion in the meeting and I take this opportunity of expressing my gratitude to those who favoured me with their valuable suggestions.

I sent the following four subjects together with notes, a copy of which was already sent to you, for inclusion as items in the Agenda of the meeting:—

(1) Low per acre yield of rice in India

(2) Uneconomic price of rice in India.

(3) Glutting of the market during the harvesting period.

(4) Expansion of export trade of Indian rice.

Subjects Nos. 1, 2 and 3 were included in the Agenda while the subject No. 4 was left out on the ground that it was beyond the scope of the Committee as it involved a question of Tariff.

I duly informed the President of the Federation about it who took great interest in the matter and asked me to see Mr. Mehta, the Secretary of I.C.A.R. and persuade him to include the subject as it was very important so far as trade was concerned.

On my arrival at New Delhi, I, accompanied by the Secretary of the Federation, called on Mr. Mehta and discussed with him about the possibility of inclusion of the subject in the Agenda. Mr. Mehta expressed his inability to do the same as he had definite instructions from the Government of India, not to include any subject involving question of tariff and trade agreement.

On the first day of the meeting, I was taken into the rice research sub-committee on the motion of the representative of the Associated Chamber of Commerce. In the general meeting I participated in the discussion of many important topics of economic and scientific nature, the most noteworthy points of which were as follows:—

In connection with the discussion of downward trend of export trade of Bengal rice, I drew the attention of the Committee to the fact that the export trade of Bengal rice had fallen not due so much to deterioration of quality as to trade barriers. Even now the export quality of rice, particularly White Patna Rice grown in Bengal, is superior to rice of the same nature grown in any part of the world.

If the trade barriers could be removed and bilateral trade agreements with heavy buyers of rice in the continent and in the east could be made. Bengal would not only regain her export trade in rice but expand it. At this stage I was ruled out of order by the Chairman on the ground that it was beyond the scope of the Committee to discuss trade pact though I submitted that it was well within the scope of the Committee as according to the constitution the Committee was to deal with all matters relating to marketing of the crop.

In the sub-committee meeting, I stressed on the necessity of more attention being directed towards water requirement of paddy. To me, water was the most essential factor of rice cultivation as the latter was the only plant which grew in a field of standing water. The abnormally low yield of rice in India was due to insufficient or untimely supply of water. Majority of the provinces under rice had to depend for water on monsoon which was very erratic in many parts nowadays; so they suffered badly. I also pointed out that under certain degree of temperature no soil which was capable of growing any crop was unfit for rice cultivation provided there was water, so the argument that the main cause of low yield of rice in Bengal was cultivation of rice in unsuitable soil could not stand.

The above subject was referred back to the General Committee for further discussion.

At the general committee on the 2nd day, I was asked by the Chairman to speak on the above subject. In the course of my speech, I asserted that per acre yield of rice in India was very low and cited comparative figures of production per acre of different countries and important provinces of India from Indian Trade Journal (Vol. 112, 1934, page 801). I stressed on the fact that with one-third area under rice India did not produce enough rice to meet her internal demand. It was, therefore, ncessary that the yield of rice should be increased and that with her present rice acreage as she could not and should not afford any further land for rice cultivation. In my opinion the main cause of the poor yield was insufficiency of water or untimely supply of it. So the Rice Committee should recommend that a comprehensive irrigation scheme be immediately undertaken in such parts of the rice region as do suffer from absence or inadequate irrigation. After discussion when I pointed out that in spite of best efforts for a decade by the Provincial Agricultural Departments and the I.C.A.R. to increase the yield they failed to do the same and that it was attributable to want of irrigation the Chairman remarked that my suggestion for water requirements had been noted, but no recommendation could be made as the question of irrigation was directly under the Provincial-Governments.

In connection with the discussion of a subject in the Agenda for enhancing the price of paddy in the villages of Orissa by raising plants for manufacture of alcohol, etc., I pointed out that in many parts of Orissa the price of whole rice was so low that it could easily compete with imported broken rice. So if even whole rice which had all the properties of broken rice could be locally utilised for manufacturing alcohol, etc., it would certainly fetch a fair price. As the communication in Orissa was poor and the transport cost very heavy it would be of much help to the rice cultivators if any such manufacturing plant could be raised in the moffusil centres in Orissa where rice was being sold at a price less than Rs. 2 per maund.

In connection with the discussion of getting accurate information regarding the annual outturn of rice mills, I pointed out that no legislation was necessary as asked for to compel the millers to supply the information but it should be left to the willing co-operation of the millers. So far as Calcutta was concerned, I promised to supply figures for outturn of big rice mills (which come within the purview of Factory Act) through my Association which had no less than 70 mills as members.

As my subject No. 2, viz., uneconomic price of rice in India was postponed for discussion till the next meeting of the Committee when the report of marketing survey would be ready, I was called upon to speak on my subject No. 3, viz., glutting of the market during the harvesting period.

In introducing my note on the subject I said that under the present economic and social conditions the cultivator had to sell his paddy, as soon as it was harvested which fetched him much lower price than normal which itself was uneconomic. To avert the calamity the cultivator should be given facilities of warehousing his paddy and advances at a low rate of interest against his stocks. I suggested establishment of the 'Village Rice Credit Banks,' in countryside as existed in Java. These institutions largely prevented buying up of the harvest by the dealers with the consequent decrease of prices bofore and increase after the purchase and kept prices constant.

I further pointed out that these institutions would help the Government of India in getting accurate statistics of area and yield of crops which was very defective at present. My alternative suggestion was to establish licensed warehouses which would offer temporary accommodation on payment of scheduled rates. The receipts issued by such warehouses against articles deposited with them would have to be declared as negotiable under the Act authorising the establishment of such warehouses and would constitute as valuable security against which money-lenders and other Banking institutions would be persuaded to make temporary advances with margin. The only thing necessary for the success of the scheme was to provide adequate safeguards against heavy fall.

The paper was noted by the Committee, but no recommendation was made as the matter required further investigation."

IMPERIAL SHIPPING COMMITTEE—REPRESENTATION OF INDIAN SHIPPING INTERESTS.

Copy of a telegram dated 19th February, 1937, from Chairman, Indian National Steamship Owners' Association, Bombay, to Mr. D. P. Khaitan, President of the Federation.

"As interests Indian commerce and Indian shippers also Indian shipping vitally affected connection inquiry position shipping eastern waters now conducted by Imperial Shipping Committee London earnestly request cable Chairman that Committee care Board of Trade London appoint or coopt representative Indian shipping on Committee which meets tomorrow safeguard India's interests please wire action taken."

Copy of a cablegram from the President to the Chairman, Imperial Shipping Committee, London, and to the High Commissioner for India, **London.**

"As interests Indian commerce and Indian shippers also Indian shipping vitally affected by inquiry into position of shipping in eastern waters now conducted by Imperial Shipping Committee request appointment or cooption representative Indian shipping on Committee to enable India's proper participation in deliberations suggest name David Erulkar Managing Director Scindia Steamships London Ltd. Africa House Leadenhall Street London."

Copy of a letter dated 27th February, 1937, from the President, Indian National Steamship Owners' Association, to the President of the Federation.

"As the President of the above Association, I have to bring to the notice of the Committee the persistent demand which has been made by the British public and the British shipping interests that the present negotiations between India and Japan for a trade agreement should be exploited for securing a certain percentage of the Eastern trade reserved for British shipping. Lord Essendon and Lord Lloyd took up this question in the House of Lords. Mr. Shaw dealt with this question at the last annual meeting of the P. & O. He remarked that the Government of India had turned a deaf ear to the demand because the ships in question were not owned 'by native born Indians'. Mr. Shaw demanded

> 'that Government of India should be pressed in its negotiations with Japan to use its bargaining power to the full support of Empire Shipping'

which, in practice, it is well-known, means British ships and particularly the ships of the P. and O. group.

Some time back there was a cable from London stating that the Japanese and British interests were prepared to arrive at an understanding whereby the Japanese interests should get about 61 per cent. and the British 31 per cent. of the Eastern trade and that should form part of the proposed agreement between India and Japan. The British interests, however, demanded 50 per cent. and no understanding could, therefore, be reached as suggested.

I now find from the answer which Mr. Dow gave to a question in the Council of State the other day that the Government of India have received a representation from the United Kingdom shipping traders for reserving a certain portion of the carrying trade between India and Japan to Empire shipping and that the matter was receiving the consideration of the Government of India. It would be nothing short of the betrayal of Indian national interests if the Government of India were to allow the trade negotiations between India and Japan to be exploited for the benefits of the Empire shipping which in practice means British ships only It is, therefore, quite essential that the Federation should make a strong representation to the Government of India and urge upon them the necessity of using the present negotiations for securing a footing for the Indian shipping interests in the trade between Japan and India and not allow the same to be exploited in any way for the benefit of the so-called Empire shipping which has no meaning for national shipping as the interests of national shipping has always been neglected in the consideration of the so-called Empire Martime policy."

ABOLITION OF IMPORT DUTY ON PIG-IRON

Copy of a Press report dated 3rd March, 1937.

"By a Treasury Order issued to-day, on the recommendation of the Import Duties Advisory Committee, pig-iron is added to free list and duty on iron and steel products, imported with 'certificate' and the certificated pig-iron is reduced from 20 to 10 per cent. The Committee in its report state that the demand for iron and steel both at Home and abroad, has risen very rapidly during recent months while difficulties have arisen in obtaining adequate supplies of pig-iron and steel. The demand for pig-iron particularly for steel making, is now in excess of the supplies available at Home and from the Empire, with the result the steel industry is being hampered in its efforts to cope with the increased demand for steel. The Committee are satisfied with the British Iron and Steel Federation's efforts to ensure adequate supplies and that prices are not unreasonably increased and that supplies will be facilitated by the removal of duty, pending developments which are taking place to increase supplies from Home and the Empire sources.

Regarding the duty on iron and steel products, the Committee state that the striking increase in the demand for steel in this country has been paralleled by a similar growth in other countries with the result that for the time being, the world demand tends to outrun the supply. The competition of various consuming countries in obtaining such supplies as are available may consequently result in a deficit for the United Kingdom to secure supplies required to augment some of her industries. The agreement, reached in 1935 between British industry and the Continental Cartel has been of considerable assistance in these circumstances in facilitating the purchase of necessary supplies, but with the present level of prices the duty at present chargeable upon licensed imports puts a strain upon the working of co-operative arrangements and after a careful review of the position, the Committee are satisfied that the time has now arrived when duty on imports under the agreement should be reduced."

Copy of a telegram dated 4th March, 1937, addressed by the President, Mr. D. P. Khaitan, to the Government of India, Commerce Department, New Delhi.

"The Committee of the Federation of Indian Chambers of Commerce and Industry, considers the abolition of 33 1/3 per cent. import duty on pig-iron by His Majesty's Government, a serious breach of the Indo-British Trade Agreement as contravening Article 1 thereof and as such the abolition removes the preference enjoyed by pig-iron against imports of foreign products into the United Kingdom.

The Committee suggests to the Government of India to submit a strong representation to His Majesty's Government against this deliberate violation of the agreement."

Copy of a Press interview given by the President, Mr. D. P. Khaitan, to the Press on 4th March, 1937.

"Mr. D. P. Khaitan, President of the Federation of Indian Chambers of Commerce and Industry, in a statement to the Associated Press characterizes the recent Treasury Order of the British Government for abolishing 33 1/3 per cent. of the import duty on pig-iron as an illustration of the British Government's object of frustrating the Indo-British trade agreement. Under Article 1 of the Ottawa Trade Agreement, His Majesty's Government is understood to allow the entry, free of duty into the United Kingdom, of Indian goods coming under the Import Duties Act of 1932. The Indian pig-iron was an important item among the articles enjoying preference under the provision. In a supplementary agreement, it further made definite the condition against which the manufacturers of galvanized sheets in the U. K. enjoyed certain definite preferences in the Indian markets. The Indian delegation at Ottawa in its negotiations stated that a tariff on iron and steel in both the countries was the crucial point in the Ottawa Trade negotiations and they were very anxious to secure 'enlarged outlets' for Indian pig-iron in U. K. They further stated that if free entry for Indian iron into U. K. was to be retained, U. K. should be offered some definite preference, which was as everybody knows, given in the shape of a substantial preference to the imports of galvanized sheets.

Sir Joseph Bhore, while referring to Indian Iron and Steel Duties Bill to a Select Committee in July 1934, remarked: "We asked His Majesty's Government, in return to allow Indian pig-iron to enter into the U. K. free of duty."

Sir Zafrullah Khan, while dwelling upon the advantages of the Ottawa Trade Treaty during the debate in March, 1936, stressed the importance in India of securing the right of free entry under Article 1 of the Agreement and stated that India should secure equality with the products of U. K. itself in U. K. and as such the right has been of real value and benefit to India. If the agreement had not been entered into, India would have lost this benefit entirely.

When so much importance is attached to preference given to Indian pig-iron by U. K., I cannot understand His Majesty's Government's recent action in nullifying entirely this privilege by the abolition of import duty on foreign products. This is not the first time when the British Government has contravened the specific terms of Trade Agreement between U. K. and India, while India is made to continue all the benefits of Imperial preference to U. K. It is an ill omen particularly when the negotiations for a fresh Trade Agreement with U. K. are still going on. It also indicates a spirit wherein His Majesty's Government want a trade treaty to be renewed on 'quid pro quo' basis. I trust the Government of India will take immediate steps to represent to the British Government that India cannot view such actions with equanimity."

APPENDIX A.

Representatives of the Federation on various Committees:

Central Advisory Committee for Lighthouses:

1. Mr. M. A. Master, B.A., LL.B., Bombay.
2. Rao Bahadur C. Gopal Menon, Madras.
3. Mr. Gaganvihari L. Mehta.

Imperial Council of Agricultural Research:

Mr. Chunilal B. Mehta, Bombay.

Imperial Council of Agricultural Research:

TOBACCO COMMITTEE:-

1. Seth Chhotalal Kuberbai Inamdar, Karachi.
2. Mr. O. C. Pradhan, Gwalior.

Rice Committee:

Mr. Asutosh Bhattacharyya, Calcutta.

Wheat Committee:

Mr. Ratilal Mulji Gandhi, Bombay.

Indian Tea Market Expansion Board:

Mr. D. C. Ghose, Jalpaiguri.

Governing Body of the International Labour Office:

Mr. D. S. Erulkar, London.

Permanent Agricultural Committee:

Mr. Walchand Hirachand, Bombay.

International Organization of Industrial Employers:

President of the General Council.

Mr. D. S. Erulkar, London.

———:o:———

Representative of the Federation in Germany:

Dr. K. L. Ganguly.

Berlin W.50 Kurfurstendamn 12.

APPENDIX B.

LIST OF CHAMBERS AND COMMERCIAL ASSOCIATIONS AFFILIAT TO THE FEDERATION.

1. The Ahmedabad Millowners' Association, Ahmedabad.
2. Ahmedabad Maskati Cloth Market Association, Ahmedabad.
3. All-India Soap-markers' Association, Calcutta.
4. Andhra Chamber of Commerce, Madras.
5. The Federation of Baroda State Mills and Industries, Baroda.
6. Behar Chamber of Commerce, Patna.
7. Bengal Industries Association, Calcutta.
8. Bengal National Chamber of Commerce, Calcutta.
9. Berar Chamber of Commerce, Akola.
10. Bombay Bullion Exchange, Ltd., Bombay.
11. Bombay Shroff Association, Bombay.
12. Burma Indian Chamber of Commerce, Rangoon.
13. Buyers and Shippers Chamber, Karachi.
14. Cawnpore Kapra Committee, Cawnpore.
15. Cloth Commission Agents' Association, Delhi.
16. Delhi Factory Owners' Federation, Delhi.
17. Delhi Hindustani Mercantile Association, Delhi.
18. East India Jute Association Ltd., Calcutta.
19. Godavari Chamber of Commerce, Coconada.
20. Grain Merchants' Association, Bombay.
21. Gwalior Chamber of Commerce, Lashkar, Gwalior.
22. Indian Chamber of Commerce, Calcutta.
23. The Indian Chamber of Commerce, Coimbatore.
24. Indian Chamber of Commerce, Lahore.
25. Indian Chamber of Commerce in Great Britain, London.
26. The Indian Chamber of Commerce, Tuticorin.
27. Indian Insurance Companies Association, Bombay
28. Indian Insurance Institute, Calcutta.
29. Indian Life Assurance Offices' Association, Bombay.
30. Indian Merchants' Association, Chittagong.
31. Indian Merchants' Chamber, Bombay.
32. Indian Mining Federation, Calcutta.
33. Indian National Steamship Owners Association, Bombay.
34. Indian Produce Association, Calcutta.
35. Indian Salt Association, Bombay.
36. Indian Sugar Mills Association, Calcutta.
37. Indian Tea Planters' Association, Jalpaiguri.
38. Jute Balers' Association, Calcutta.
39. Karachi Indian Merchants' Association, Karachi.
40. Karnatak Chamber of Commerce, Bagalkot.
41. Kirana Committee, Delhi.
42. Maharashtra Chamber of Commerce, Bombay.
43. Malabar Chamber of Commerce, Calicut.
44. Marwari Chamber of Commerce, Bombay.
45. Merchants' Chamber of United Provinces, Cawnpore.
46. Muslim Chamber of Commerce, Calcutta.
47. Mysore Chamber of Commerce, Bangalore.
48. Native Share and Stock Brokers' Association, Bombay.
49. Nattukkottai Chettyars' Association, Rangoon.
50. Paddy Merchants' Association, Calcutta.
51. Seeds Traders' Association, Bombay.
52. Southern India Chamber of Commerce, Madras.
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54. Telikanta Brokers' Association, Calcutta.
55. United Provinces Chamber of Commerce, Cawnpore.

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY.

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(Since deceased.)

1928
President
Sir Purshotamdas Thakurdas, Kt.,
C.I.E., M.B.E., J.P.,
Bombay.

1929
President
Mr. G. D. Birla.
Calcutta.

1930
President
Lala Shri Ram,
New Delhi.

1931
President
Mr. M. Jamal Mahomed Saib,
Madras.

1932
President
Mr. Walchand Hirachand,
Bombay.

1933
President
Mr. Nalini Ranjan Sarker,
Calcutta.

1934
President
Mr. Kasturbhai Lalbhai,
Ahmedabad.

1935
President
Lala Padampat Singhania,
Cawnpore.

1936
President
Mr. D. P. Khaitan,
Calcutta.

1937
President
The Hon'ble Sir Rahimtolla M. Chinoy, Kt.,
Bombay.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

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PROCEEDINGS OF

THE ELEVENTH ANNUAL MEETING

Held at Delhi on 1st and 2nd April, 1938.

Vol. III

1938

SCINDIA HOUSE, CURZON ROAD,
NEW DELHI

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Vice-President :

Diwan Bahadur C. S. Ratnasabapathy Mudaliar.

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6. Mr. Debes Chandra Ghose, Jalpaiguri.
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12. Lala Gurusharan Lal, Gaya.
13. Mr. G. D. Birla, Calcutta.
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Mr. D. G. Mulherkar.

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Scindia House, Curzon Road,
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With the compliments of
The Secretary

Vol. III

PROCEEDINGS OF

THE ELEVENTH ANNUAL MEETING

Held at Delhi on 1st and 2nd April, 1938.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

NOTE

At each Annual Session of the Federation, a report, being the proceedings of the Committee, is submitted for adoption. Since 1936 another volume is submitted to the Annual Session, being the print of important and relevant correspondence and documents relating to questions dealt with by the Federation during that year. This is followed by another publication being the proceedings of the Annual Session. All these publications are printed in three volumes:—

VOLUME I.	Report of the Proceedings of the Committee of the Federation for the year 1937–38 with audited statement of accounts for the year 1937.
VOLUME II.	Important correspondence and documents.
VOLUME III.	Proceedings of the Eleventh Annual Session of the Federation.

Scindia House,
Curzon Road,
New Delhi, 1*st June*, 1938.

D. G. MULHERKAR
Secretary.

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Appendix A—List of Member-bodies of the Federation of Indian Chambers of Commerce and Industry with their Representatives.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

Proceedings of the Eleventh Annual Session held in Delhi on 1st and 2nd April, 1938.

The Eleventh Annual Session was held in Delhi at the Old Assembly Hall, Alipore Road, on Friday, the 1st April, 1938, at 11 A.M. with the President, Hon'ble Sir Rahimtoola M. Chinoy, in the Chair.

Amongst the distinguished persons who accepted the invitation of the Committee to be present were—

Mr. Akhil Chandra Datta, M.L.A., Deputy President of the Legislative Assembly, The Hon'ble Mr. V. Ramdas Pantulu, The Hon'ble Mr. P. N. Sapru, Mr. M. Slade, M.L.A., Lieut.-Colonel Sir Henry Gidney, M.L.A., Sir Abdul Halim Ghuznavi, M.L.A., The Hon'ble Sir Mohammad Yakub, Lt.-Col. H. C. Smith, The Hon'ble Mr. Hossain Imam, The Hon'ble Mr. V. V. Kalikar, The Hon'ble Mr. Shantidas Askuran, Mr. B. Das, M.L.A., The Hon'ble Mr. Brijlal Biyani, The Hon'ble Rai Bahadur Lala Ramsaran Das, The Hon'ble Pandit Hirday Nath Kunzru, Sami Vencatachelam Chetty, M.L.A., Mr. M. Ananthasayanam Ayyangar, M.L.A., Mr. L. C. Buss, M.L.A., Mr. F. E. James, M.L.A., Seth Haji Sir Abdoola Haroon, M.L.A., Mr. N. V. Gadgil, M.L.A., Dr. P. N. Banerjea, M.L.A., Babu Amarendra Nath Chattopadhyaya, M.L.A., Babu Baijnath Bajoria, M.L.A., Dr. Sir Zia Uddin Ahmad, M.L.A., Mr. J. Ramsay Scott, M.L.A., Mr. H. M. Abdullah, M.L.A., Sardar Sant Singh, M.L.A., Seth Govind Das, M.L.A., Mr. N. C. Chunder, M.L.A., The Hon'ble Mr. Abdool Razak Hajee Abdool Suttar, Dr. T. E. Gregory, Economic Adviser to the Government of India, The Hon'ble Mr. Govindlal Shivlàl Motilal, Mr. Kamaluddin Ahmad, M.L.A., Mr. M. Ghiasuddin, M.L.A., Mr. Manu Subedar, M.L.A., Mr. P. J. Griffiths, M.L.A., Mr. L. N. Birla, Sardar Bahadur Sardar Sobha Singh, Rai Bahadur Nanak Chand, Mr. Bharat Ram, Mr. J. W. Collins, Mr. Venkateswaran, Mr. U. N. Sen, Mr. Devadas Gandhi, Mr. K. E. Mathew, Dr. M. S. Natarajan, Mr. Pratap Singh, Mr. J. P. Mehta, Mr. B. Shiva Rao, and Mr. P. D. Sharma.

The following *delegates of the Member-bodies were present :—

Mr. Jamshed N. R. Mehta, Lala Shri Ram, Lala Padampat Singhania, Mr. D. P. Khaitan, Mr. Chunilal B. Mehta, Diwan Bahadur C. S. Ratnasabapathy Mudaliar, Mr. A. L. Ojha, Mr. M. C. Ghia, Rao Bahadur Seth Shivratan G. Mohatta, Lala Guru Sharan Lal, Mr. D. C. Ghose, Mr. P. S. Sodhbans, Mr. D. N. Sen, Mr. M. M. Parikh, Mr. Surotamma P. M. Hutheesingh, Mr. B. N. Maitra, Mr. S. C. Ghose, Dr. M. Venkat Rao, Mr. Anandji Kanji, Mr. G. N. Bannerji, Mr. N. N. Rakshit, Mr. A. N. Chatterjee, Mr. Rama Prasad Gupta, Mr. Hoshang N. E. Dinshaw, Mr. Fidahussein M. Sheikha, Mr. Haridas Lalji, Mr. Badri Prasad Gupta, Mr. C. W. Erskine, Mr. Baij Nath Sayal, Dr. R. R. Seth, Lala Panna Lal Jain, Mr. A. C. Khosla, Mr. Panna Lal Arora, Mr. L. N. Gadodia, Mr. Babulal Kasera, Mr. Radhakrishna Maru, Mr. Harivallabhdas Kalidas, Mr. Maganlal Bhikhabhai Patel, Mr. Ratilal Mulji Gandhi, Mr. Sitaram Khemka, Mr. K. J. Purohit, Mr. N. L. Puri, Khan Bahadur Sardar Habib Ullah, Mr. J. C. Setalvad, Mr. Mangaldas B. Mehta, Mr. S. Bagchi, Mr. K. C. Desai, Mr. Gordhandas G. Morarji, Rai Bahadur P. Mookerjee, Mr. R. L. Nopany, Lala Shankar Lal, Lala Jaswantrai, Mr. R. K. Sidhwa, Mr. Chetanram B. Bhojwani, Mr. M. C. Handigund, Lala Shiv Shankar, Mr. K. M. S. Lakshmana Iyer, Mr. G. S. Marathey, Mr. K. H. Dhamdhere, Pandit Anand Ram Vyas, Mr. Kedarnath Agarwal, Mr. Bhogilal Chhotalal Sutaria, Mr. Trikamlal Mahasukhram, Mr. Shantilal Popatlal, Mr. Shantilal Ratanchand Sutaria, Sardar D. Inder Singh, Mr. S. M. Bashir, Mr. H. G. Misra, Rajacharitavisarada Rao Sahib C. Hayavadana Rao, Mr. Narain Rao G. Naik, Mr. A. D. Shroff, Mr. J. J. Kapadia, Mr. I. D. Varshnaie, Mr. N. K. Bhartiya.

The following Secretaries were deputed by the Member-bodies to attend the Session :—

Mr. J. K. Mehta, Mr. Umashankar Dixit, Mr. J. N. Sen Gupta, Mr. K. M. Purkayastha, Mr. S. R. Dhadda, Mr. K. Shama Iyer, Mr. S. D. Parikh, Mr. B. M. Trivedi, Mr. C. V. Mody, Mr. D. V. Kelkar, Mr. P. Raghavan Nair, Mr. T. M. Gurbaxani, Mr. G. N. Raval, Mr. M. L. Gupta, Rai Sahib Lala Ram Pershad, Mr. Kanaialal B. Modi, Mr. T. K. Santanam and Mr. A. C. Ramalingam.

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* For full list of Delegates please refer to Appendix.

The President, Hon'ble Sir Rahimtoola M. Chinoy, in opening the proceedings of the Eleventh Annual Session of the Federation, delivered the following speech :—

GENTLEMEN,

I welcome you to this the Eleventh Session of the Federation.

During the tenure of my office, very important economic and political changes have taken place in India as well as abroad. The Sino-Japanese conflict in the East, the prolonged struggle in Spain and the recent events on the Continent of Europe, in the wake of the annexation of Abyssinia by Italy during last year, are sufficiently alarming to goad other nations to prepare themselves for any eventuality by spending colossal sums on armaments out of all proportion to their ability to sustain such heavy liabilities arising out of such expenditure. The world seems to be on the brink of another great war.

This political situation growing out of fear and absence of goodwill amongst nations has created an artificial improvement in the industrial activities of several nations with reflected betterment in countries producing raw materials. I am afraid such artificiality in the international trade is bound to bring in its wake depression of a very severe character, as the nations which are spending all their available resources over rearmament will not be able to contribute their quota towards the maintenance of better economic conditions in years to come.

I would like to refer, at the outset, to some of the outstanding questions which were dealt with by the Government of India during the year under review. Their attitude during the deliberations at the International Sugar Conference was far from satisfactory. They refused to consult the industrial interests primarily concerned with those deliberations and committed this country for a period of five years to an irrevocable agreement under which the Indian sugar industry was denied the privilege of even attempting to enter into the International free export market for sugar. In defiance of a definite verdict of the Legislative Assembly, the agreement was ratified by the Government of India. The importance of this agreement can be well assessed from the fact that the international co-operation based on this agreement would not have been possible if India had not been a party to the agreement. It was, therefore, necessary for the Government of India to ascertain beforehand the wishes of the industry on such an important issue.

The year has been a continued tale of our helplessness in matters with which our industries were intimately connected and in the deliberations of which we expected our Government to give us their confidence and ourselves to reciprocate it particularly when the negotiations are with a foreign country. During the negotiations with the Government of Japan for the conclusion of a trade agreement, the Government of India failed to maintain a constant contact with industrial and agricultural interests which were mainly to be affected under the terms of the agreement. In fact, the non-official advisers felt that full advantage was not taken by Government of their knowledge and experience, which resulted in the lack of proper appreciation of some of the difficulties facing the indigenous cotton textile industry and the cotton grower. Recent events have proved that the proposals which the non-official advisers tendered to Government were actuated by the greater interests of the country. The Indian cotton trade is being subjected to a number of handicaps under the plea of foreign exchange control introduced by the Government of Japan. There is no safeguard in the trade agreement against the manipulations of the Japanese Cotton Spinners' Association. The indifferent attitude of the Government of India is certainly very disappointing.

During these negotiations with the Government of Japan, it was expected that the Government of India would give their serious consideration to the position of indigenous minor industries which had developed in recent years behind the customs tariff and which were meeting severe competition at the hands of Japanese imports. Their usual *laissez faire* attitude came in the way of taking any initiative in negotiating this agreement. They instituted a departmental enquiry to examine the claims of these minor industries and even though investigations reached a mature stage, the enquiry was suspended on the plea that in view of the Sino-Japanese conflict, imports from Japan were not in a position to offer competition to indigenous products. It is really a matter of regret that such a shortsighted policy should be followed by Government on a question vital to the development of small industries in India. There is an insistent demand by the commercial interests asking Government to resume the enquiry and I trust that Government will be well advised to resume it at an early date.

The recently announced exchange of notes between the Governments of South Africa and India, under which a temporary *modus vivendi* is provided for the most-favoured-nation treatment, has given some cause to the Indian commercial community for consideration. In spite of the issue of another *communique* by Government, the commercial community is still in the dark about the full implications of this agreement. It is really regrettable that the Government of India did not utilise this occasion to settle the numerous and growing political disabilities to which Indian nationals are subjected in the Union of South Africa. To remove all grounds for suspicion and doubt, the Government would have done well in consulting the commercial community prior to the conclusion of this agreement.

India's cause is likely to be suffered in all such negotiations if the traditionally dogmatic attitude of the Government of India continues to create an atmosphere of secrecy and aloofness from the interests primarily to be affected by those negotiations. In the United Kingdom, before concluding any trade agreement with an Empire or foreign country, all the trade and industrial interests are consulted at every stage regarding the proposals under negotiation, while, in India, she is always presented with a *fait accompli* in such matters. I only trust and hope that this will not be repeated in case of the Indo-British trade negotiations.

The Indo-British trade negotiations are being protracted for an unreasonably long period and the distressing feature of these negotiations is the policy of Government keeping the general public and the industrial and commercial interests entirely in the dark as regards the course of these negotiations. It exhibits lack of confidence on either side, and I fail to understand what insurmountable difficulties could stand in the way of these two Governments for negotiating an agreement on a really fair and equitable basis. The Government of the United Kingdom were able to negotiate, in the past, bilateral trade agreements with a number of Empire and non-Empire countries within a far shorter period than the one now required for concluding a trade agreement with India, and one is likely to suggest that His Majesty's Government are unwilling to offer a square deal to the Government of India, preferring to reap the advantage of preferential tariff granted to them under the Ottawa Trade Agreement.

I would request Government to accept the reasonable suggestion put forward by the public and the commercial community that all such agreements should be submitted to the Central Legislature for ratification. Such a course will afford ample opportunities to discuss the pros and cons of such agreements.

Before reviewing the political and economic developments within India during the period under review, let me refer to the Insurance Bill which will soon be on the Indian Statute Book. I take this opportunity of congratulating the Government of India and the Law Member, Sir Nripendra Sircar, for this piece of legislation.

I should like to make a passing reference to the two Interim Reports submitted by the Committee for the Application of the Recommendations of the Indo-Burma Financial Settlement Tribunal, estimating the debt of Burma to India at about Rs. 51 crores and fixing the annuity at Rs. 2·21 crores for 45 years. I may recall here that the Secretary of State for India constituted the Amery Tribunal ignoring the definite recommendations of the Joint Parliamentary Committee as regards its personnel and procedure of examination and the summary manner in which the Tribunal accepted for granted the data prepared by the Government of India rendered their recommendations unacceptable to this country as prejudicial to India's right to certain liabilities incurred by her and which liabilities ought to have been assigned wholly to Burma. The Government of India's attitude on this question is deplorable and I wish to put on record our protest at the financial settlement between the two countries in which no non-official section of either country had any hand.

The position of our countrymen abroad and particularly in the colonies of the British Empire received a setback owing to what seems to be a concerted policy of the Colonial Office in either driving out the Indians and Indian traders or making it impossible for them to continue to live a peaceful life as British subjects. Attempts are being made with greater vigour to exclude Indians from the enjoyment of certain rights and privileges which they, as British subjects, are entitled to enjoy in the British Empire in the colonies of Kenya, Tanganyika and even in the dominions of South Africa. The experience of the Government of India's own accredited representative who just retired from the post of Agent-General—Sir Raza Ali—is neither happy nor encouraging. In the small protectorate of Zanzibar controlled and administered, for all practical purposes, by the British Resident, ceaseless efforts are made under the garb of clove growers' interests to drive the Indian trader out of the country. I fervently hope that with all their differences with us on political and economic issues in India, the Government of India will stand by their subjects in a fight with any other non-Empire or Empire country on a question of rights and privileges in those parts of the world.

With the introduction of the Government of India Act, it was expected that our relations with His Majesty's Government would continue to progress towards realisation of that partnership which exists between His Majesty's Government and the Governments of the self-governing units of the Empire. To me, it seems, they have gone the other way, and in support of my contention I would like you to examine the two important arrangements arrived at between His Majesty's Government and the Government of India on the question of mechanisation of British units and the maintenance of six escort ships for the naval defence of Indian ports. The Government have not given any reasons for the termination of a long-standing arrangement under which with a payment of £100,000 to His Majesty's Government, the latter were responsible for the naval defence of India. We cannot, therefore, congratulate the Government of India on their commitment, as they have commited this country to unknown and unfathomable liabilities without securing for the Indian Legislature the right to control and to indianise the Indian navy. I must strongly protest against such commitments in the very first year of the partial operation of the Government of India Act without consulting the country. With all the sincerity and emphasis at my command, I would submit that the time has come when His Majesty's Government should show their genuine sympathy with Indian aspiration by allowing this country greater freedom than forcing her to comply with certain arrangements between the two countries. It must be remembered that in any scheme of naval defence of a country, its mercantile marine plays an important part. It is unfortunate, therefore, that Indian shipping interests should be denied representation on the Imperial Shipping Committee which formulates a common Empire Maritime policy. India does not possess the power, which the Dominions possess at present, to enact legislation to develop her mercantile marine. A strong and efficient Indian mercantile marine is not only essential for the defence of India but could be an invaluable instrument of Imperial Defence.

Reviewing the events. nearer home, it is really a matter of congratulation that the provinces are ushered, under the Government of India Act, into an autonomous existence. They are now administered by popularly elected ministries, and in no less than seven provinces the administration is controlled by Congress Ministers. Provincial Autonomy should give fairly ample scope to the Ministries to adopt measures for the betterment of the economic condition of the agriculturists. The question of ameliorating the condition of the agriculturist is not so simple as it appears to be. It is an admitted fact that the agriculturist is not getting a proper return for his labour due to the absence of any effective improvement in the commodity prices. Even though the industrial countries of the world are in constant need of raw materials, India's agricultural produce has not secured any place of vantage in the world markets. Owing to absence of any trade agreements, her raw materials are on the other hand tabooed in some of the important countries of Europe. The Government of India are lukewarm on the question of trade agreements, and no rise in the commodity prices is possible unless Government are capable of securing international co-operation in the currency management. Besides these two methods of securing for the agriculturist an equitable return for his labour, there are, to my mind, other ways and means for securing at least some improvement in their return.

In India, both in respect of agricultural produce and industrial products, it is a question of under-consumption rather than over-production, and the Provincial administrations would be doing a service to the country if they try to banish from their mind that there is over-production of either an industrial product or any agricultural produce. They must stimulate consumption which is only possible if the purchasing power of the Indian masses improves. The family budget of the Indian agriculturist must be balanced, which means that we must secure for him better prices. The question of fuller utilisation of his produce in the country itself must be investigated by all Provincial Governments and I hope they will marshal their forces by exploring all possible avenues for such utilisation. Even the industrial countries of the West are trying to be self-sufficient in the supply of their requirements of the raw materials. A policy of economic nationalism, therefore, in some shape or form, is best suited to a country like India wherein we find an abundance of raw materials, ample natural resources, unlimited internal market and enormous manpower. All these advantages, which nature, in her bounty, has conferred on this country, must be taken advantage of under the new order of things that has come into existence in the provinces. Our country's requirements are varied and a systematic examination of her import trade will reveal numerous directions in which the country's raw material can be turned into manufactured goods of everyday use. If the Indian agriculturist is to live and to live as a human being, industrial development on an enormous scale throughout the country seems to me to be the only feasible remedy to give him a living, and I am sure it will not be beyond human ingenuity to lay out an economic policy best suited to the conditions prevalent in India. Industry, under the Government of India Act, is a Provincial subject and if a sincere effort is made in full co-operation with the commercial interests in the country to increase the purchasing power of the masses, I am sure it will indirectly influence the tariff policy of the Central Government.

Tariff policies of all countries are based on one fundamental fact, and that is, to accelerate the space of industrialisation with a reasonable measure of economic self-sufficiency with a view to raise the standard of life. If that ideal is aimed at, the day is not far off when the lot of the agriculturist will improve. The agriculturist requires cheap and quick transport for the movement of his produce and the indigenous industry is in no less need of such facilities. Every effort will have to be made towards securing these facilities by proper co-ordination of different modes of transport, such as rail transport, road transport and inland water transport. Road transport at present is entirely within the sphere of provincial administration, and it cannot be denied that the competition which is at present being offered by motor transport is responsible to some extent for the grant of greater facilities and concessional freight rates by the railway administration. The rate structure of our railways ought to be thoroughly overhauled to meet the growing needs of the agriculturist, and the industrialist, as is being done in other industrialised countries. Inland waterways were once a very effective mode of transport in the past but during the last fifty years, no serious attempt has been made by the country's administration to maintain these waterways with the result that this kind of transport is gradually disappearing. I would invite the attention of the Provincial Governments to this important question of transport, as it is directly interlinked with the question of marketing and internal movement of the agricultural produce as well as the industrial products.

The Motor Vehicles Bill recently introduced in the Legislative Assembly will have to be carefully examined. It would be premature for any one to express any opinion and I am sure Member-bodies of the Federation will give their due consideration to its various clauses.

I would like to congratulate the Governments of the United Provinces and Bihar on their adopting certain measures to ensure minimum price to the canegrower and to investigate proper utilisation of molasses. The Government of Bombay also intend to undertake an industrial survey of the Province with the idea of giving small loans to deserving industries. Even the small Province of Orissa is undertaking schemes of industrial development, while the Governments of Madras and the United Provinces are raising loans to the extent of about three crores of rupees for capital expenditure on nation-building departments. In the Punjab, a special development fund has been started for use towards better rural sanitation, while steps are being taken by the Bombay Government to encourage Unani and Ayurvedic systems.

The Government of Madras have recently enacted law to give relief on debt to the agriculturist. It has received the assent of the Governor-General and is thus put on the statute book. While appreciating the anxiety of the Provincial Governments to give tangible proof of their regard for the welfare of the ryots, I personally feel that mere relief from past liabilities is not going to make the agriculturist immune from future liabilities. In fact, no law on the statute book is going to give him real relief as long as he has a deficit family budget to face every year and as long as he does not get real value for his efforts and labour. On the other hand, I am afraid such artificial adjustments by law are abnormal and may defeat the very object in the long run. The problem which has faced him in the past and will face him in the future is about the anxiety of his securing sufficient advances for his sowing operations, for the purchase of agricultural implements, for the maintenance of his family during the whole period of agricultural operations and the securing of reasonable price for produce. The question of rural finance requires a well thought-out planning and I think we can, with effect, bring into operation the machinery of cooperative societies for the financing of certain operations of the agriculturist. If the sphere of cooperative societies is expanded to cover the sowing operations and all the other consequential needs of the agriculturist, his economic condition is sure to improve. The indigenous banker or the money-lender has by this time realised that the days of squeezing the poor helpless agriculturist are over and that he must adjust himself to the changing environments in the rural areas if he is to live and to be a useful unit in the society. At the same time, it would be a suicidal and disastrous policy to take any step which would weed out the Sowcars or money-lenders as they are called, from the sphere of agricultural and urban economy in which they are working. These Sowcars are a fundamental factor in keeping up the agriculturists, through thick and thin, as well as in accommodating in cities many a poor and middle-class artisan and labourer. While, therefore, legislative steps may be taken by Provincial Governments to regulate the business of money-lending, nothing would be done, I hope, which would strike at the very root of the existence of the much-abused Sowcars. Rural indebtedness is a problem in itself. According to the latest estimates, the total rural indebtedness of India, which was calculated at Rs. 900 crores by the Central Banking Enquiry Committee, must now be almost twice as large, when measured in commodities, as a result of the fall in prices since 1929. The working capital of all the cooperative societies in British India and Indian States is estimated at Rs. 97 crores. The commercial banks do not generally play any active part in the rural credit. It will, therefore, be seen that the money-lender is responsible for the rural finance to the extent of more than a thousand crores of rupees. In any plan of rural economy, his services should be fully utilised on reasonable terms.

In years to come, the autonomous provinces will be in need of greater finances for their schemes of public beneficence and any scheme for raising money by tax must be well thought out and well planned with due regard to its repercussions on the economic life of the country as a whole. I hope in their anxiety to find money for their multifarious plans for ameliorating the condition of the masses, they will not allow their judgment to be warped nor should they be tempted to accord their virtual support to the executive at the centre in forging fresh weapons of taxation. The overture of the Finance Member of the Government of India to Provincial Finance Members for popular support in amending the Income Tax Law has raised apprehensions in the public and particularly in the Indian commercial community, and I would be failing in my duty if I did not on this occasion frankly state the attitude of the commercial community on the question of Income Tax. The Indian commercial interests, as represented by the Federation, yield to none in their anxiety to make available to the autonomous Provinces adequate financial resources for their plans of economic rejuvenation of the country. Though they have the confidence that the finances thus made available will be well spent by the Provincial Governments on schemes of public beneficence, they are anxious to see that such measures of raising finances through income tax do not react on, and cripple, the progress of industrialisation of the country, which was made in spite of the halting policy of discriminating protection and which is a source of employment to millions of our countrymen in all parts of India. I have no manner of doubt that if the Central Government are allowed a free hand in revising the Income Tax Law, it will result in giving a permanent setback to the development of indigenous industries. It will also check the proverbially shy Indian capital from coming into the market, which has recently shown signs of shaking off its shyness, particularly in respect of the sugar industry. It is erroneous to compare the conditions in India with those prevailing in other highly industrialised countries. If the trade and industry of the United Kingdom pays taxes on a higher rate, it enjoys all the advantages arising out of a well-defined industrial policy of its Government, and even the slightest disadvantage is corrected overnight by expeditious action taken by the ever-watchful Board of Trade through its Import Duties Sub-Committee. I need not refer here to a number of measures adopted by the Government of the United Kingdom either by way of bounty, subsidy, high tariff walls or refund of duties under drawback rules for the protection and progress of their industries. Such conditions, such watchfulness, such ever-increasing helpfulness of the Government, are conspicuous by their absence in India. On the other hand, it is known to every Indian how the decisions of the Government of India on the Tariff Board enquiries are inspired, controlled and sometimes dictated by higher and interested quarters in England. I, therefore, only submit for the very careful consideration of all the Provincial Governments that in their anxiety to secure more finances from the Central Exchequer, they should not even indirectly be a party to give a setback to the development of our industries and thus to dry up the very source from which they expect abundance of finance for the nation-building departments.

While on this subject, I would invite the attention of the Provincial Ministries to one or two directions in which India can, with equity, secure an additional revenue from income tax. I would refer to the powers granted to the Governor-General under Section 60 (1) of the Income-tax Act whereby certain exemptions from income tax are allowed. It is wrong on principle that any such powers should be vested in the Governor-General. This power has been used in a discriminating manner for the advantage of a certain section and to the disadvantage of the Indian treasury. Secrion 272 of Government of India Act, 1935, ought to be amended to allow pensions, leave allowances and salaries of Government officers, residing outside India and receiving them in the United Kingdom, to be taxed under the Indian Income Tax Law. The country also pays more than a crore and a half under double income tax relief, 99 per cent of which goes to non-Indian companies registered outside India but earning their profits out of their operations in India. The Indian exchequer is poorer to that extent and we can legitimately claim the right to tax these sources without affording any relief, under the double taxation relief arrangement. I do not think there will be any difference of opinion on taxing these two sources of revenue which may bring to the Indian treasury more than three crores of rupees per annum.

I, therefore, trust that when the Income Tax Bill will be introduced in the Central Legislature, all its elected Members will examine the proposals of the Government of India in their true perspective before committing themselves to accord their support for greater taxation of the trade and industry of the country.

Before concluding my speech, I sincerely thank the Member-bodies of the Federation for conferring upon me last year the unique honour of the President of the Federation and for reposing confidence in me for guiding its deliberations. I am also thankful for the continued and willing cooperation which I received from my colleagues on the Committee of the Federation in the discharge of my duties as the President. It is a matter of satisfaction to us all and particularly to me that during the tenure of my office, the Federation has secured a permanent home, free of rent, in New Delhi, through the munificient donation of Lala Shri Ram in memory of his father Lala Girdharlal and we are all thankful to him for the gift.

We are thankful to the Members of the Central Legislatures and other distinguished guests who have kindly accepted our invitation to be present on this occasion. It is my earnest desire and fervent prayer that the Federation may grow from strength to strength year after year and for many years to come.

I thank you all, Gentlemen. (*Acclamations*)

President: Item 2 is the adoption of the Annual Report for the year 1937-38 and the Statement of Accounts for the year 1937. I move:

"That the Annual Report of the Proceedings of the Committee of the Federation for the year 1937-38 and the Statement of Accounts for the year 1937, which have been circulated, be adopted."

Mr. Jamshed N. Mehta: I second the proposal.

Mr. R. K. Sidhwa: Sir, I rise on a point of information, with regard to paragraph 37 on page 39. It appears that one of the member-bodies applied for permission to the Baroda State for erection of oil tanks at Okha and the State concluded an agreement with Burmah Shell. I want to know, firstly, whether this agreement was entered into before the member-body applied or after that, and secondly, what is the result of the communication addressed by the Committee to the Dewan of Baroda State.

President: The Secretary will explain the position.

Secretary (Mr. Mulherkar): Only yesterday we received a letter from Baroda forwarding to us a copy of their reply to the Buyers and Shippers Chamber, Karachi, in which the Director of Commerce, Industries and Labour says that though there is no room for a second concern to instal oil tanks at Okha, oil companies are free to import crude oil or any fuel in tins and barrels. That was only received yesterday.

Mr. R. K. Sidhwa: Was that agreement with Burmah Shell reached before that member-body applied or was it afterwards ?

Secretary: From the correspondence made available to us it seems the Burmah Shell approched the Baroda Government later.

Mr. R. K. Sidhwa: That means that they refused the member-body and subsequently allowed the Burmah Shell to erect their plant.

Secretary: During the course of the negotiations with the first party the Baroda Government negotiated an agreement with Burmah Shell.

President: The position is this. At present the Baroda Government have given a lease to Burmah Shell on the pier and there is no monopoly intended to be given; but as the quantity of fuel to be imported is limited, they are not in a position to give permission for construction of another installation. That is the reply we have received. I think we should carry on these negotiations. They do not prevent any one from importing oil in tins and barrels.

Mr. R. K. Sidhwa: I am glad to hear that the point is being pursued. The position is clear that an Indian firm was refused permission as against a European firm, and I wish the Federation to take up this matter strongly with the Baroda Government who wanted to patronise Burmah Shell as against an Indian firm. It is a serious matter for consideration by this Federation. They should make a strong protest and the matter should be brought again before the Federation.

President: You may be quite sure that the Federation will not take these things lying down.

Mr. Haridas Laljee: I may say that the member-body opened negotiations with the Baroda State and things were on the point of being settled when all of a sudden they received a letter from the Dewan of Baroda to the effect that an arrangement had been concluded with Burmah Shell. Therefore we wrote to the Federation.

President: As I said to Mr. Sidhwa, the Federation will take this matter up very seriously with the Baroda State.

Mr. R. K. Sidhwa: Sir, in the accounts I find that under "Annual Meeting Charges" a sum of Rs. 2,796 and odd was spent on "Printing and Stationery". This seems to be heavy for a two days' sitting and I should like to know the items of which this is composed.

Secretary: This item includes the printing of all the literature relating to the annual session, e.g., the agenda, classified list of Resolutions, volume no. 1 already circulated to delegates, volume no. 2 laid on the table and volume no. 3 containing proceedings of the two days of the session. All this literature that is printed in connection with the annual meeting is debited to this account.

Mr. J. J. Kapadia: I find that the accounts are for the period ending the 31st December 1937 whereas the report of the Committee is for the period ending the 31st March 1938. Cannot some means be adopted so that these two may coincide ? The position seems to me to be somewhat anomalous.

President: As a rule the accounts are always made up to the end of the year. Otherwise, if they are made up to the end of March there is no time for audit, and the President changes on the 1st of April. The procedure has always been to make up the accounts till the end of the year and the report till the end of March.

The Report and the Statement of Accounts were adopted unanimously.

President: We now come to Resolutions. The first resolution is to be moved from the Chair.

I move:

SHIPPING

(*a*) This Federation urges upon the Government of India that in any scheme for the regulation of inter-imperial trade or other measures for the development of Empire shipping in the interests of a common Empire maritime policy, steps should be taken to secure an equitable and legitimate share of such trade to Indian shipping and to ensure to India the right to enact maritime legislation on the same basis as the Dominions.

(*b*) This Federation is further of opinion that in all commercial agreements and treaties with other countries, provision should be made by the Government of India for the use and

employment of Indian shipping in order to maintain the balance of trade between the contracting parties and to ensure the expansion of Indian shipping in the overseas trade of the country.

(*c*) This Federation welcomes the participation of Indian shipping in the pilgrim traffic between India and Jeddah and strongly urges Government to encourage and assist the expansion of Indian shipping in this traffic which is a legitimate sphere of India's own overseas trade.

Adopted unanimously.

President: I move:

RAILWAYS

(*a*) This Federation considers that several of the recommendations of the Railway Enquiry Committee go beyond its terms of reference and are entirely unacceptable to the Indian commercial community and the Indian public. The Federation strongly protests in particular against the recommendations affecting indianisation of the services and favouring the recruitment of non-Indians in the Railway Administration.

(*b*) This Federation objects to the recommendation of the Enquiry Committee relating to the question of Company Management of railways, which is contrary to the accepted policy of State Management adopted by the Government of India since 1923 as well as to the considered opinion of the Indian Legislature and Indian public and trusts that Government will not accept this recommendation now or in future.

(*c*) This Federation protests against the recent tendency of the Railway Administration to enhance the rates of freight without regard to the level of prices and urges them to adopt a comprehensive rates policy so as to stimulate internal traffic.

(*d*) This Federation is of opinion that any scheme of co-ordination of Road and Rail Transport should not be such as to restrict or hamper the legitimate growth of motor transport in this country or to deprive trade and industry of the most economical means of transport.

Adopted unanimously.

President: I move :

POSTAL AND TELEGRAPH RATES BETWEEN INDIA AND BURMA

This Federation strongly protests against the increase in postal and telegraph rates between India and Burma immediately after the separation of Burma on the initiative of the Burma Government, which was contrary to the spirit of the Indo-Burma Trade Agreement, providing for maintenance of the *status quo* between India and Burma which have close economic and commercial relationship.

This Federation has to point out that the enhancement in these rates has entailed undue hardship on the mercantile community and the Indians settled in Burma and urges the Government of India to negotiate with the Government of Burma with a view to restore the rates which were in force before separation.

This morning a Government press communique has been issued, they have reduced the charges. We want the *status quo.* So I think this Resolution should stand and I therefore put it to the vote.

The Resolution was adopted unanimously.

Mr. D. P. Khaitan (Jute Balers Association, Calcutta) : Sir, I beg to move:

INDUSTRIAL RESEARCH

This Federation draws the attention of Government to the need of proper industrial research for the utilisation of the economic resources of the country and suggests that such research should be directed to practical objects and should be related to the industrial needs of the country and that its results should be given as wide publicity as possible.

This Federation also recommends that the Industrial Research Bureau should have a larger element of non-official representation of commercial and industrial interests so as to make it a more useful body and that its activities should be mainly directed towards the achievement of the abovementioned object.

In moving this Resolution I should like to draw the attention of the House to the oft-quoted statement made by non-Indian interests that India has been and is a primarily agricultural country and that it is necessary and advisable for this country to concentrate attention upon the development of agriculture and not to devote the proper attention that is necessary to the development of industries; as if our country is always to remain a producer and exporter of raw materials and the importer of manufactured goods. For more than half a century India has been crying hoarse for protection and during the last 15 years or so we have got some kind of protective policy. But, Sir, everybody is aware that during these 15 years or so, even under the halting policy of discriminating protection, as you have been pleased to call it in your speech, India has shown what it can do towards the building up of industries. Whether we look at the case of the Indian textile industry or the sugar industry or the iron and steel industry, we have been able to demonstrate that we have the capacity and India is able to build up industries as efficiently and as enormously as any other country in the world. It has been our recent experience that whichever Indian wants to take to some new avocation he is in search of some form of industry which he can take up. In spite of this it is our misfortune we still have to import a large number of commodities. We are still without, manufacturing various products which our raw materials would enable us to manufacture into finished products and which the people of our country demand for their consumption and which it may even be possible to export to other countries. But the facilities that are afforded to us are so few and so scarce that it is not possible for our people to engage themselves in various industries.

Sir, if possibilities can be shown for the development of industries with even a capital of 50 lakhs or 60 lakhs for each concern, it is possible for our country to engage itself therein. But furthermore I would submit that if it could be made possible to start industrial concerns with a capital of 4 or 5 lakhs of rupees or less there is a very large number of people who could engage themselves in these concerns. But what steps have the Government of India taken to make known the various possibilities of industrial development that lie latent within our country? I submit, Sir, that no steps have been taken. After we cried and cried for a large number of years a so-called Industrial Research Bureau has been established by the Government of India. And what is the constitution of that Bureau? It consists of over 50 officials and only 4 non-officials therein, with the very magnificent amount of 5 lakhs of rupees to be spent in a period of three years. Sir, is it possible for a scheme of this character to do anything really useful and beneficial to the interests of the country? I submit, Sir, that the thing has only to be mentioned to make it clear to anybody who has the slightest sense whatsoever to understand that that is not the way in which industrial development can be brought about. Sir, I am not a Bolshevik but we can certainly draw an analogy from things that have been done in Russia during the last ten years. They engaged in reasearch work ; they pushed everything with an advance, with a speed, with an energy and with a determination that has transformed the face of Russia. Of course we get inconsistent reports about the position that prevails in that country. But nobody can dispute the proposition that during the last ten years, with the determination that they have shown they have made this advance not only in heavy industries but in all forms of industries. Ten years is not too big a period for Russia to show results. Sir, if that can be done by Russia what reason is there that India with an equal determination, with equal possibilities and with perhaps greater need for development of the country, cannot show similar results if the Government of the country take similar steps for the purpose of advancing the industries of the country? I hope, Sir, there is nobody present here who will gainsay the proposition that it is necessary for the Government of India to undertake research in every possible direction for the industrial development of this country, and not only to undertake industrial research but to make known the results arrived at therefrom. Sir, our friends the Britishers may say that in England and some other countries these industrial researches were not undertaken by the State but by private capitalists themselves. In answer to that I would submit that England and these other countries advanced in a far different atmosphere from the one in which we are placed. England made a beginning in industrialisation when no other country had advanced. They got a very good start over the rest of the world and in these circumstances, with money flowing in from other parts of the world, it was possible for these capitalists to advance, and that advancement was made under the shelter of the Government of the United Kingdom. It was, with that money flowing in from other parts of the world, for the capitalists themselves to undertake all forms of research, but the position in India is absolutely the reverse of the conditions that prevailed in England during the time when it developed its resources. Here we are a debtor country ; instead of money flowing in we have got to pay out no less than 75 crores of rupees a year. It is not possible for individual capitalists or even a group of capitalists to undertake the various researches that are necessary for the utilisation of our resources. Government must come to the rescue of the country ; Government must find out the possibilities that exist latent in our country ; and the Government must make well known to the capitalists and to others who have got the intelligence and the capacity to work industrial concerns the results of these researches and make them public. So far there is not a single thing which the Government can put forward to show to us that that was a measure which was undertaken by the Government towards increasing the industrial development of our country. In these circumstances, Sir, I would submit that this Federation should draw the attention of the Government to the need of proper industrial research, and I hope, Sir, that this House will accept this Resolution without any dissentient note.

Lala Gurusharan Lall (Bihar Chamber of Commerce):

Mr. President and Gentlemen,

It is hardly necessary for me to go into the details of the resolution which I have the honour to second after the valuable discourse of my esteemed friend Mr. D. P. Khaitan. It is an established fact that due to reasons, probably, beyond our present control our country has become a land of unexplored potentialities. Certainly, Sir, this is no matter of pride for any civilised country to be called so, at the present time of industrial expansion, but the fact still remains. In my opinion, a purely research laboratory does differ substantially from a place of industrial research. Though researches even of a rather theoretical character have ultimately come to the aid of industry by its being able to exploit the energies of nature, yet what we at present are in need of apart from the above are researches leading to the utilisation, directly and profitably, of the material lying idle so far in our country. There has been of late a gradual inflow of foreign capital in India to exploit our natural resources. This is certainly due to the fact that others have stolen a march over us in their knowledge of natural resources as brought forward for use in their own lands due to a sympathetic Government under the control of people. In order to achieve this end I do strongly urge the Government to let industrialists and commercial interests have a stronger voice in the matters of the industrial research Bereau. Let the Federation assure the Government that an industrial exploitation of our hitherto unexplored natural resources would pay the nation as well as add to the Government Exchequer and I would, with these words, request the House to pass the resolution as it stands.

Mr. G. N. Bannerji (Association of Indian Industries, Bombay):

*Mr. President and Brother Delegates, after the statement made by the Mover of the Resolution with such great emphasis I think there is very little to say further on the need for industrial research in this country. I submit that whatever little has been done for industrial research within this short period has been done without any outlook for the development of Indian industries. It has been undertaken mostly in a haphazard way without any industrial survey of economic values. Secondly, these researches have been mostly of an academic character. The Indian universities and the scientists attached thereto have already shown a large volume of academical researches of the highest degree. Therefore an addition to that kind of research is not what we need in the country. We need an adaptation and development of these researches to the needs and the utility of the country. In the constitution of the Research Bureau, we hardly find any industrialist, any marketing officer, very few technical experts and no economist, so to say. India, as has already been said, is a country of agriculturists; and our agricultural products are exported as raw materials. But now we have realised that these agricultural products can be utilised for the industrial needs of our country, if not for exporting, besides the utilisation of the idle labour of agriculturists during the period of successive crops which needs the development of the cottage industries and similar industries. The bigger industrialists in the country can well afford to start individually their own research laboratories which some of them are already doing and they are certainly laudable; but what is the fate of the small industrialists who are almost without anyone to guide and help them? And a country like India needs more of researches and the development of smaller and cottage industries and the bigger industries is always needed.

Then as regards the publicity of researches, in the report of the Industrial Research Bereau, we find it mentioned on page 8 that the reports of researches are much more accessible to the Department of Scientific and Industrial Research in England than to the masses and the public in the country. Of course the foreign industrialists are very watchful of our developments and they take advantage of them, whereas we who pay all these expenses are deprived of it. It is not suggested that these industrial reports should be published in full detail but at least they should get wide publicity and proper indication should be given that people interested in that line should get these things by application to the proper quarters rather than merely fill up the archives of the Imperial Government's Record Department. Sir, I support this Resolution and I hope the Government of India will take action on it.

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*Speech not corrected.

The Resolution was adopted unanimously.

Lala Shri Ram (Delhi Factory Owners Federation): Sir, the Resolution which I have to move runs as follows:—

PLANNING OF INDUSTRIES

This Federation is of opinion that with a view to conserve and utilise to best advantage the meagre financial resources of the country and having regard to haphazard development of some of the indigenous industries such as jute, flour and sugar, the Government of India should, in the greater interest of the country, take initiative, in collaboration with the Provincial administrations, to devise suitable machinery for reviewing the development of indigenous industries and for evolving a well laid-out plan for their systematic expansion.

Sir, it is a very simple Resolution. As everybody knows, and as is mentioned in this Resolution, the financial resources of this country are very poor. This country as a matter of fact is proverbially poor. But while it is mentioned here that it is only the meagre financial resources I can go a step further and might say that our resources are meagre not only in the matter of finance but also in the matter of personnel. Whether we go to look for chemists or for engineers or statisticians or economists or businessmen, really our resources are terribly meagre; and as a poor man cannot afford to throw away whatever he has got in the way of clothing or food without getting full value out of them, in the same way I think it is criminal waste of everything in this country to put up factories or industries for which either there is no room or which produce goods which are surplus or to put these in places that are unsuitable for those particular industries. We have before us in this Resolution the example of jute, flour and sugar; and I have no doubt, Sir, that these examples could be multiplied. Take the case of the ice factories and rice mills, any number of these factories that have been put up in different places for which there is no room. It is to stop this that this Resolution has been brought up before this Federation. There is not only the necessity of saving the existing industries from suffering losses but there is also the necessity of putting up more industries. India is not industrially developed. India has no doubt become more or less self-sufficient, as Mr. Khaitan said in his speech, in the matter of cement or steel or textiles or sugar. But I remember I once went to a foreign country with another colleague of mine and we went to a big town and passed the night at a place where we were supposed to be Government guests. In spite of our being Government guests perhaps the system in that country is that we had to pay nearly Rs. 30 in Indian currency for passing the night under some short of shelter; and the sort of shelter that we got there was that we had to shift our cots about 10 or 12 times in the night because it was raining and the roof leaked everywhere. And when we shifted our cots from one part of the room to another, unfortunately the rain began to fall on that part also through the roof. Fortunately we had some sort of clothes to cover ourselves up with. Almost the same situation prevails with regard to the industries of this country. We have after many long years become more or less self-sufficient in the matter of textiles or sugar or cement or steel, but if you will study the figures of sea-borne trade of India and the items that are imported, you will find that so many new items go on coming and taking away the money from the country that if we pooled all our resources and stopped all the waste that is going on, even then it would be difficult to stop the leakage money. Any number of instances can be multiplied. One instance which is prominently in my view is radio sets, which during the last three or four years, according to the broadcasting people, have multiplied five times and . I have no doubt that perhaps their number will multiply five times every year. In fact there are hundreds of things which can be manufactured in this country. It is therefore necessary that there must be some short of organisation, but unfortunately the Government of India Act makes it a little difficult for any one provincial Government without the Government of India to take up this matter by itself; and it is therefore that we have said here that there should be some sort of collaboration with the provincial Governments. But we feel that the Government of India must take up this matter and we have no doubt that the provincial Governments,—whether the Congress Governments or other Governments,—will fully cooperate with the Government of India in this matter in establishing some sort of a board which will see whether there are enough factories for producing a particular item which can meet the needs of the country. If a new industry is to be started, they ought to be able to tell them which is the proper place, where the raw materials are available, whether a power, water or anything else, or labour that is required would be available, etc. Any number of instances may be quoted where factories have been put up without any sort of advantage of either raw materials or finished goods, and now we cannot go on in this way. It is with this object in view that this Resolution has been brought up. Sir, I will not take any more time and with these few words I commend this Resolution to the acceptance of the House.

Mr. A. D. Shroff (Native Share & Stock Brokers Association):

*Mr. President and Brother Delegates, I have great pleasure in seconding this Resolution. It is a matter of common agreement amongst us all that if this country is to be economically strong there is no other way out but industrialisation on a large and extensive and organised scale. I think some of us have been crying hoarse over this question for years past, but unfortunately the powers that be have an attitude which suggests that planning of any sort is to be scrupulously avoided particularly in the direction of planning out industries for strengthening the economic fabric of India. The subject itself opens out so many avenues of thought that perhaps it is not possible in a speech as seconder of the Resolution to cover the entire ground. Several new thoughts have been thrown out by the mover of the Resolution. I feel, Sir, in my own way that the most effective and businesslike fashion of proceeding in this matter is for the provincial Governments to institute detailed scientific and comprehensive inquiries within their own jurisdictions. These inquiries should start with the definite objective of finding out possibilities of starting new industries, of finding out ways and means of expanding the existing industries and also of suggesting, with the aid of particular and relevant experts, ways and means of improving upon our existing industrial progress. It is undoubtedly true that during the last quarter of a century India has made heavy strides in the way of industrialisation. We have been practically self-sufficient in sugar, in cotton textiles and in cement. It is rather unfortunate that in the directions in which we have made such encouraging progress we have come to realise that our progress has been of a haphazard and slipshod character. Take for instance the jute industry and the vicissitudes through which that industry has been passing during the last three years. Take for instance the experience of the sugar industry during the last 12 to 18 months and take for instance our most recent experience of what appears to be a real and serious menace to the very profitable cement industry of this country. All these experiences suggest that our industrial advancement has not been conceived, has not been well thought out on proper scientific lines,—lines which have been adopted and which have proved successful in the western countries of the world. What is therefore needed is some sort of agency to start with, The provincial Governments ought to undertake comprehensive inquiries; they ought to institute industrial advisory boards with the full cooperation of non-official commercial men, and the Government of India ought to come in as a coordinating agency, so that the country may be presented with a full and real picture of what is needed in the way of industrialisation. The planning of industries does not begin and end simply with starting industries. An industry to work successfully has to take numerous things into consideration. Finance is, of course, the beginning and the end of industry. Without proper financial arrangements no country can advance industrially in a substantial manner and in a manner which will carry the elements of success. What is therefore needed is a change of institutions either on the lines of the German industrial banks or some institutions which can be well adapted to the necessities of this country so that it can mobilise the financial resources of the country, however meagre they may appear to be. But financial resources, I personally believe, can be made available in very large amounts provided you satisfy the powers here that the industries which are going to be started are to be on proper scientific lines and are going to be run by honest and well-informed people.

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* Speech not corrected.

Another important question connected with industries is the most important question of freights. So far as bigger industries are concerned railway freights and transports can make or unmake an industry. I can recall many instances of experiences of Indian industrialists where the question of railway freight policy has either decided in favour or against the starting of an industry, or in some cases, of even abandoning industries which have been started on very right and proper lines. This is a matter where politics has unfortunately to enter. I for one am a believer in the view that if railway administration in future is really to be carried on on the lines laid down in the Government of India Act, the details of which have not been made known to us, we are carrying with us an initial handicap in the way of running industries successfully in this country. Lala Shri Ram suggested that our resources are meagre. They are particularly meagre not in the way of finance, but we are very poor off in the way of technical knowledge. In my own little way, in my day to day business, considering propositions for sponsoring industries in this country, I have come across the constant difficulty of finding people, finding agencies who can tender expert advice. A man comes in and says he wants to start an industry for making electric bulbs. There is no one, particularly in my city, whom I can term as expert and who can tell whether the raw materials that are needed for the manufacture of electric bulbs can be available in sufficient quantities and at a price which would make it economically possible to float such an industry. What I feel, therefore, as an imperative necessity in all provinces is that every provincial Government should employ one, two or three experts like chemical engineers, and I make bold to suggest that the employment of these experts would not ultimately be a financial burden to the provinces, if these experts are made available at reasonable fees to the industrialists of the country. This is a very important and vital necessity, a thing which is absolutely a pre-requisite to the starting of new industries in the country.

I may also be permitted to say one word on the very delicate question of labour in the starting and running of industries in this country. We hear a lot these days of the necessity of social legislation. I do not think there is any capitalist present here or any industralist who will not agree on the question that a well satisfied labour force is as much a necessity as the necessary capital in the industry. But one thing which we will have to take very serious heed of is that in our enthusiasm for bringing in social legislation in this country we do not unconsciously create additional handicaps in the way of the successful running of our industries. It will therefore be a very delicate but at the same time a very important task for all provincial Governments in the country to bring about a very fine adjustment in that delicate question of maintaining right relations between labour and capital. Unless that adjustment is brought about in a fair, reasonable and sympathetic manner, I think enterprising people will naturally feel a sort of diffidence in embarking on new ventures in this country. We have just adopted a Resolution on industrial research. With your permission, Sir, I may say a word on that. Industrial research is of course a paramount necessity if industries are going to be on extensive lines. I have recently seen a plea put forward by the Government of India in regard to the starting of a company to manufacture heavy chemicals, like soda ash, etc. Extensive concessions were granted to a powerful British corporation by the Government of India; and when my friend Mr. B. Das some three years ago raised this question in the Legislative Assembly so as to why these concessions were granted to a British company and whether any opportunity was offered to Indian industrialists to exploit these resources, the Government of India gave an answer which leaves me cold and which, I am sure, will leave you too cold. They said that no Indian applied for these concessions. Sir, I make bold to suggest that if industrial research is to be carried on with public money in this country and if the benefits of this research are not to be exclusively reserved for the benefit of the children of the soil, we had better not ask for industrial research at the hands of Government. There are several things which we might profitably copy from the experiences of other countries, and one thing I might suggest and that is an agency for the survey of the natural resources of the country. The working of a Board in the United States of America which day in and day out studies the possibilities of conserving the natural resources and suggests avenues for the exploitation of these resources to the industrialists of that country is, I believe, an experience which might well be studied and followed in this country.

Sir, with these few words I beg to second the Resolution.

Mr. Ratilal M. Gandhi (Grain Merchants Association, Bombay):

Sir, I rise to support this Resolution. I believe that it is a corollary to the resolution we have previously passed. The Resolution which we are now considering is so important that references have been made to it at more than one place by our worthy President in his speech. When the first Resolution on industrial research was moved by Mr. Khaitan, he also more or less covered the ground of this Resolution in his eloquent and able speech. Again while moving this Resolution my friend Lala Shri Ram and while seconding it Mr. Shroff, both observed that so far as this as well as the previous Resolution are concerned, there are various economic and practical problems which demand consideration before we deal with them. And if my friend Mr. Shroff found it very difficult to deal adequately with this subject, I think I will find it still more difficult to speak on the same. But as I said before, the subject is so important that we have to think about it very seriously. It has been observed by Mr. Khaitan while moving the Resolution on industrial research that industrial research as well as industrial planning are not new ideas. These ideas have caught the imagination of the people of various countries in the west to such an extent that the faces and fortunes of many a country there have been changed within recent times. We are familiar with the industrial progress and advancement of the United States of America, the United Kingdom, Japan, Russia, Germany, Italy and many other countries. Mr. Khaitan in giving an example selected Russia. I will also select the same country, not with any other view but to give an idea of how regular planning and systematic methods of doing a thing can help a country in advancing towards industrial development. I think it is well known to us all that Russia some 20 years ago was an agricultural country like India and her economic development was neglected as India's economic advancement is neglected at present. But by well thought-out plans, controlled and conducted by the Soviet Government Russia has very rapidly advanced to such an extent that every industrially advanced country, either in east or in the west, has to be afraid of competition from Russia. That is talking of the west. Let us come nearer home and talk of the east. Here also we know very well how rapidly Japan has advanced. Japan thought of industrialisation some 50 or 60 years ago, almost simultaneously with India. But Japan with the assistance of the Government of that country has marched very fast and has now reached a stage when she can produce every article that the present civilised world requires. Such is the state of affairs in various countries in the east and the west. But here in India we find that in spite of being favoured by nature, in spite of having several advantages on account of geographical position, and in spite of having the best resources in the form of raw materials and manual labour, we are not at all progressing in industrial development. Now who is responsible for this deplorable state of affairs? As Mr. Khaitan said, it has very often been the step-motherly policy of the Government of India that has kept the industrial development of India in the background. It is not only the apathetic policy of the Government of India but to some extent, if I may put it like that, it is also their inimical attitude wherever British interests are affected. Sir, whenever and wherever we talk of industrial development in relation to India, certainly we as Indians are reminded of our past glories and we know as a matter of fact that before the advent of British rule, India was far better advanced economically than most countries of the world. But those days were different and nobody compares them with the present days. In those days there were no machines and every district was managing its own affairs and looking after its own trades, industries and arts. The times have changed and these are the days of industrialisation. We are getting industrially conscious and our psychology is getting industrialised. In these days of national awakening we are talking and thinking of industrial regeneration. But thanks to the policy of the Indian Government we are not moving forward!

Coming now to the main point in this Resolution, Sir, I am reminded of a talk I had the other day on this subject with a friend of mine who struck a distinct note, when he pointedly asked me "it is all well and good to talk theoretically about planning but how are we are going to achieve it"? We have been talking about planning in everything. As a matter of fact for our very existence as human being we have to go on planning. We are talking of crop planning, mercantile planning, and so on. But as that friend of mine rightly remarked it is no use talking loosely about this planning. What are we really going to do? Are we going to allow State intervention or State control of all the important industries of India, or will this planning be to a more or less extent recommendatory? For example we have in all provinces Directors of Industries. They are every now and then sending out schemes of small cottage industries; and in spite of all this planning, if you can call it planning, I do not think India has advanced in any way. So if we are really taking up this problem seriously, we have also to consider seriously how far industrial development is to be controlled and organised by the State itself. Probably there may be another cry then that in industries we do not want State interference. However, that is a wide subject and I will not dwell on it now. With regard to this particular subject, we have been, in these days, reading much about it and that shows the importance of the subject. I will in this connection draw your attention to an article, an able and well-planned article, on industrial-planning for India written by the Honourable Mr. Govindlal Shivlal. He has there shown by facts and figures how we stand industrially. He points out that our per capita income is Rs. 82 as compared with Rs. 1092 in the United Kingdom, 2053 in the U.S.A., 1268 in Canada and Rs. 271 in Japan. While the major portion of the income of these countries is derived from industries, the bulk of our income is obtained from agriculture. Again, our per capita income from agriculture is Rs. 59, from industries Rs. 12, and so on. Mr. Shroff mentioned what the provinces can do in this matter. Industries are a provincial subject of course, and I know that in the Bombay Legislative Assembly a Resolution is going to be moved on this important subject. But what we really require is a complete coordination and aid of the Government of India. The whole subject of industries is correlated with various other matters which are under the control of the Government of India and I think without their help it will not be possible for the provinces to move effectively in the matter. That has been very ably pointed out by *Indian Finance* in its issue of March 26th.

The position of our industries today is like the condition of a town springing up without any plan whatever or of a house built without any planning. And hence the need of Industrial Planning. Sir, I whole-heartedly support the Resolution and I trust the Government of India will take up this question earnestly. No doubt the popular provincial Governments will also take this problem but the industrial planning should be so devised as to work in the larger interests of the country as a whole. With these words, Sir, I support the Resolution.

Rao Bahadur Seth Shivrattan G. Mohatta also supported the Resolution in Hindi.

The Resolution was adopted unanimously.

Mr. Gordhandas G. Morarji (Indian Merchants' Chamber, Bombay): Sir, I beg to move the following Resolution which stands in my name:—

LABOUR LEGISLATION

This Federation desires to emphasise—

(*a*) the imperative necessity of co-ordination of Factory and Labour legislation in the different provinces so as to make it uniform as far as possible and to prevent any unfair competition between industries located in different provinces ; and,

(*b*) that the Governments, Central and/or Provincial, should bear their fair share of the expenditure incurred in labour welfare work, as in other countries, instead of imposing the whole burden on the industries.

Sir, after we have considered the two important Resolutions bearing upon industries in this country, namely, one about industrial research and the other about planning of industries, I must say that even of all the requirements that are demanded by these two Resolutions are granted, it will not be possible for the industries to make any headway unless the question of labour is decided in a manner that would keep the labour and the industry both alive. It has been the aim of all the nations in the world that labour should be contented and should be treated in a manner that would enable the workers to live as human beings on a standard of living that is demanded for all human beings. Now that we have got autonomy in the provincial Governments and where the Ministers are the chosen and elected representatives of the people, it is only natural that their first concern should be to see that the condition of labour in the country is ameliorated. But in doing so we find today that the pace at which they are moving is rather faster than expected. This Resolution deals particularly with two aspects of the question : one relating to co-ordination of labour legislation with a view to securing uniformity in such matters throughout the country, and secondly, asking the Governments, Central as well as Provincial, to bear the burden of this legislation. The necessity of having co-ordination need not be stressed at all because we are all aware that until such legislation as this has a co-ordinating effect it will be acting as a handicap to one and giving an advantage to the other. The attitude of the employers so far in this connection has been very well known. We all know that from 1932 to 1937 Government have undertaken as many as six important pieces of legislation, namely, the Workmen's Compensation Act, the Factories Amendment Act, the Payment of Wages Act, the Emigration of Labour Act, etc. These have been undertaken and their effect has to be seen. I can say that this progress can be well certified, and has been well certified by a foreigner like Dr. Harold Butler who, whilst reviewing the progress of labour in this country and speaking about his impressions of a tour which he had in this country said that the Indian employers were prepared and sincerely anxious to improve the conditions of their workers provided it did not prejudice their business interests. He also said that labour could only thrive provided industry was allowed to prosper. In these circumstances it is very necessary that any advancement made in the direction of social labour legislation should be proceeded with with that care and caution which the whole problem demands. It will be interesting also to hear another opinion which I will give. It says :

> "Care must be taken in order to ensure that in adapting measures for the betterment of industry or of industrial workers the interests of the community as a whole are not overlooked. It is obviously possible to raise the standard of living of sections of industrial workers by methods which would involve the diminution of the national income that is available for other section or sections of the community. On the other hand the prosperity of the industrial workers can be advanced in a manner so as to enrich rather than belittle the rest of the community." (Royal Commission on Labour.)

In this connection, Sir, I may also quote what a prominent writer like Mr. Cole has to say. Speaking on the wages question he says :

> "If wages are raised in certain industries above the level they would reach in the absence of State regulation, the effect is apt to be a reduction of the numbers employed in these industries."

Then he also says :

> "What matters to us here is that any considerable attempt by the State to raise wages by law is likely, under the gold or any fixed exchange standard, to increase imports and reduce exports, and therewith to contract profits and employment."

Further on he says :

> "Even under an adjustable exchange system the effect of the higher wages will be liable to be, in the short run, a reduction in employment through mechanisation and, in the long run, a rise in selling prices, which will take back most, if not all, of the real advantage conferred on the wage-earners by the change.
>
> In view of all these complications, States, under the capitalist system, are likely to be very reluctant to make any extensive use of their power to raise wages. The only country which has followed this wage-raising policy over an extensive field is Australia, where, as wages rose, tariffs were put up to keep out the imports which would otherwise have come in. This enabled the industrial workers to get higher incomes at the expense of the farmers."

I do not know, Sir, how far in an agricultural country like India it will be possible to adopt such a course as to reduce the income of the agriculturist and have the other effect. I have said that the effect of such legislation would be that it would increase the burden on the community by the raising of prices. I do not know whether it would be advisable in any circumstances to have prices raised at a time when the industry has not progressed to the desired extent. Much can be said about this subject and, as far as I know, it has been admitted by many that what labour requires today is a policy which will give them education, sanitation, better conditions of living, medical relief and above all, a debt relief scheme. I understand several provinces have undertaken legislation to give them relief in these and such other matters and the employers themselves have also provided for housing of labour and other conditions. If any one has any doubt about this I would invite him to go and see the organisation which in this very town is conducted by Lala Shri Ram and which has been admired by even prominent Congressmen. If this is the condition of labour which has been so well cared for by the employers, I do not see any reason why there should be any doubt or fear in the mind of any one regarding the care which is needed for labour. I should therefore submit, Sir, that it would be totally unwise on the one hand to joeparadise the development of industrial concerns and at the same time say that we want to reduce unemployment and other matters like this. It is a pity that this subject has been put on the list of the Central as well as the provincial Governments, and it is desirable that we should have legislation on a subject which would give equal treatment to all and not set up one province against another. It has been our experience that factories in Native States have had an advantage over factories which are situated outside the Native States. We have always complained that they are not under proper regulation and control and therefore the factories in the British area are always at a handicap. What will be the effect now when certain legislations are undertaken in one province and the industry of that province is joepardised as against an industry of the same kind in another province? This aspect is a very important one which should be looked into in all its bearings. It is a pity that provincial Governments who have not the right of giving any relief by way of tariff walls or by reduction of duties or in any other way are today progressing forward with actions which put a burden on the industry which they cannot in any other way compensate.

Sir, in these circumstances I commend the Resolution I have just moved for the acceptance of the House, and I trust it will be passed unanimously.

Sardar D. Inder Singh (Merchants Chamber of U.P.):

Mr. President and Gentlemen,

Under the Government of India Act, 1919, factories were a central subject just as Workmen's Compensation, Trade Unions, the Unemployment Insurance were also the subjects of central legislation. The only subject which under the Act of 1919 affecting labour fell within the cognizance of provincial legislation was the welfare of labour but even here, legislation could not have been undertaken without previous sanction of the Government of India. This constitutional position has, however, been radically altered under the Government of India Act, 1935 and most of the subjects affecting labour are now matters of concurrent legislation appearing in Part II of the concurrent legislative rules. There is thus under the new Government of India Act certain amount of danger that there might result a lack of uniformity in the labour policy of the various Provincial Governments. In the United Provinces, for instance, there is at the moment pending before the Assembly a legislation which is designed to provide for the Payment of Maternity Benefit. Fortunately, this Maternity Benefit legislation has been in force for some years both in Bombay and in Central Provinces. This legislation has its reaction on the cost of production of the industries and if U. P., Bombay and C. P. are to be the three provinces in which there is to be the obligation for Maternity benefit and industries in the other provinces are to be exempted from such obligation, clearly occasion arises for complaint. I should not be surprised if some of our go-ahead Provincial Governments would soon bring forward legislation to provide for wage fixing machinery. It were best that whatever may be the social policy of our progressive Provincial Governments, they should be of an uniform character. So far as the Congress Governments are in office in various provinces, I think such a plea for a uniform social policy would be endorsed even in the highest councils of the Congress party.

Turning to the second part of the resolution, which is also of an anticipatory character, I think we are putting forward a very modest demand. For the last two or three years, proposals have been under consideration of introducing sickness insurance as also for introducing a system of holidays with pay. The first of these measures is particularly one in which the financial obligation should be borne equally by the Governments and the employers. I understand that the question of introducing sickness insurance in this country has been shelved for the moment because the Provincial Governments are not prepared to meet the Bill for an insurance scheme. But there is no knowing that the decision of today will not be reversed tomorrow and it is, therefore, a very reasonable demand for us to put forward that when in the interest of labour, new financial obligations are proposed to be placed on the employers, the brunt of such obligation should also be borne by the Governments concerned. With these words, gentlemen, I beg to second the resolution.

AFTERNOON PROCEEDINGS

FRIDAY, the 1st April, 1938

The Annual Session re-assembled after Lunch at 2-45 P.M., the President, Hon'ble Sir Rahimtoola M. Chinoy, occupying the Chair.

Further discussion on the Resolution relating to Labour Legislation was taken up by the House.

Mr. N. N. Rakshit (Bengal Industries Association):

I support this resolution. It is a very important one so far as manufacturing industries are concerned. I beg to draw the attention of the House to the fact that recently the Government of Bihar have appointed a committee of enquiry for the betterment of the labour conditions of Bihar. The industries of Bihar are identical with the industries of Bengal. If any labour betterment is favoured by this committee and enacted into law, then the manufacturers of other Provinces would be in an advantageous position than the manufacturers of Bihar. Besides, the Government have not nominated any one from the biggest industries of Bihar, such coal and iron. The second part of the resolution is also a very important one. I can cite one example, the town of Jamshedpur was not in existence before 21 years ago, but now it is one of the best and cleanest towns in the whole of Bihar. I can certainly say that the contribution from the industrial concerns particularly the Tatas are mainly responsible for the existence and development of this town. So if for the betterment of the conditions of labour and for providing amenities of life to them the money should come from the industrial concerns, it will be a very difficult problem for the manufacturing industries, particularly when they have to face competition from foreign countries. So, I request the authorities of this Federation to take up this question with the Bihar Government. Otherwise, the report of the committee will be one-sided. With these words I support the resolution.

Mr. J. J. Kapadia: (Native Share and Stock Brokers' Association):

So far as I have been able to understand the resolution, its scope has been very much restricted. The resolution does not express any opinion with regard to the advisability or otherwise of the labour legislation which has been going on in the different provinces of India. I therefore feel that if I were to go into that question I would be going outside the scope of the resolution. However, I cannot help remarking at this juncture that the provinces in which labour legislation has been going on now have gone far too quick in their desire to appease labour and have made recommendations which have the effect undoubtedly of increasing the costs of production which the industries concerned are not in a position to bear if they are to develop themselves with anything like strength and vigour. The other aspect of the matter which I have found from my experience of my own province, namely, Bombay, is that those who have sponsored those proposals have only taken into account the claims of labour forgetting that there is an equally important interest, namely, the investor. I hope and trust that when the occasion comes for the different provincial governments to take stock of their labour policy they will bear in mind that labour is not the only factor but that capital has also claims over the industries concerned.

Coming to the terms of the resolution, the first part emphasises, and I think very rightly, the necessity of making labour legislation uniform in all the provinces. The reason is very obvious. The industries of India, more particularly the cotton textile industry has to compete with two factors. The first is the external factor, namely, external competition, and the second is the internal factor viz., internal competition. The second factor, namely, internal competition has assumed serious aspects so far as certain lines of manufacture are concerned. It is therefore very clear to my mind that if the equilibrium is to be preserved so far as cost of production is concerned, it is very necessary that one province should not be allowed to reap an advantage over another, if in the latter labour legislation takes place and in the former no such legislation is made. Therefore, in the interests of orderly internal competition it is necessary that labour legislation should be uniform as far as possible. Sir, the resolution deals with labour legislation in the provinces, but there is one very important area which has been left out of consideration. I refer to the case of the Indian States. There is nothing in the resolution which can be said to lay any emphasis or even refer to competition from Indian States. Take the case of Bombay. Baroda which is an Indian State and which is very near Bombay competes with Bombay mills. Similarly, mills situated in the Nizam's Dominions compete with mills situated in Sholapur, and if I may say so, mills situated in the Mysore State are competing seriously with mills situated in the southern parts of the Madras Presidency. Therefore, the Federation ought to bring to the notice of the Government of India the supreme necessity of bringing pressure to bear upon the Indian States and suggesting to them labour legislation in accordance with that in British India, because unless that is done the industries of British India will not be able to compete successfully with the industries in the Indian States.

Coming to the second part of the resolution I think it has been accepted on all hands that appeasement of labour is the primary concern of Government. This is based on the recognition of the fundamental fact that unless appeasement of labour is made the concern of Government there will be industrial unrest in the country and the Government along with the industries will be a great sufferer. In Great Britain there are schemes which show that Government bear their burden with regard to labour schemes. The Government in Great Britain, I understand, contributes a large amount to the sickness insurance. On the continent—I am referring to Germany—the Government bears a portion of the burden with regard to labour betterment. In America the major portion of the burden is borne by Government. That being the position I do not understand why there should be any difference in the policy which may be adopted in India. I am very sorry to say that the interim report of the Wages Inquiry Committee which was recently published in Bombay has entirely ignored this very important aspect of the matter. We find from that report that Government had written to the Enquiry Committee that they were thinking of bringing in legislation so that the cotton textile industry in Bombay may have to bear the burden consequent on sickness insurance and payment of wages for holidays. The Committee's report shows that in making their recommendations they have made allowance for a sum of something like Rs. 46 lakhs which the Committee was told the Government recommendations might involve. The Committee have not gone into the question as to whether Government should not bear their fair share of this additional burden. While the Committee have in various places of their report quoted precedents from other places, somehow or other when this question was considered by the Committee they entirely ignored this aspect, namely, that Government are in justice bound to bear a certain share of this additional burden. But, Sir, the matter does not rest there. Should provincial

Governments inflict burdens on the industry which the industry may not be in a position to bear, the problem becomes a bit complicated when we consider the situation with regard to some of our industries. The cotton textile industry for example is a protected industry. It is the Government of India alone who can impose additional duties in order to offset the burdens that may be imposed on the industries. It is not open to provincial Governments to come forward with any proposals offsetting these burdens. Therefore, while it is very easy for provincial Governments to say that this should be done and that should be done, it is not open to the provincial Governments to protect the industry. I contend that this important aspect of the matter has been lost sight of in the recommendations which some of the provincial Governments have made with regard to betterment of labour conditions. The position has become most revolting. Since the report of the Committee was issued, several cotton mills have issued their balance sheets for the year ending 31st December 1937. I will only refer to the balance sheets of two companies, namely, the Lakshmi Cotton Mills and the Vishnu Cotton Mills. The Lakshmi Cotton Mills which is an old estsblished concern has not been able to make any profits whatever. The Vishnu Cotton Mills have only made a profit of Rs. 2 lakhs. Now, if these additional burdens are to be thrown on the industry it is very likely that these mills will not only make any profit but will show losses. I am referring to these facts in order to illustrate my point that the provincial Governments ought to proceed in a matter like this with due care and caution because any hasty step which they may take may kill the industry rather than protect it. With these words I very gladly support the resolution which has been moved.

Rao Sahib C. Hayavadana Rao (Mysore Chamber of Commerce): As one coming from an Indian State, if you will permit me, I would like to say a few words with reference to what my friend who has just sat down said about competition from Indian States. I belong to an Indian State which, I claim, is the most progressive of its kind; that is the Mysore State. It is developing very fast in the industrial sphere. There, in that State, a great deal of labour is being attracted to its industries. The co-operation of legislation as between Indian States and British India—the application of laws that are made in British India practically automatically to Indian States—has been going on apace there. It may surprise people to hear that they (the major Indian States) are copying *ipssisimi verba* the legislation in British India. So far as the Mysore State is concerned, it is taking over almost every important legislative enactment of the British India Legislature at Delhi. The Workmen's Compensation Act has been enacted in Mysore; the Factory Act has been enacted; the Indian Companies Act has been enacted. (An Honourable Member: What about working hours?) If you will give me a minute I will come to that. The same working hours are in force in Mysore as in British India, the Factory Act being the same. Practically whatever British India is suffering from, we are also suffering from the identical disabilities. In regard to working hours, the Mysore State being a progressive industrial State, it stands on the same level as any British Indian Province. It has got the same disabilities. Fortunately or unfortunately for us, the Government of India acts through its agency very systematically. Nobody knows where it comes from, but we know for a fact that it comes down to us and we are obliged to take it over. I do not know what the case is with Baroda or any other State: I am not well informed in regard to them, but I do think that such legislation will filter down, if not today, at least tomorrow, or the day after. I think any suggestion from the Federated Chambers of Commerce would certainly carry considerable weight with the Government of India and also with the Indian States. There cannot be any reason whatsoever why there should be any disparity in the treatment of labour between the provincial Governments and the Indian State Governments, especially where the development of industries is concerned, particularly where larger industries are concerned. If I may say so, I desire to correct the statement that Indian States might possibly become possible competitors with the manufacturers in British Indian Provinces; that this is not so, I can say for my part of the country. I have reason to believe that Travancore has also come into line with us. That being so, so far as Southern India is concerned, the suggestion does not apply. So far as the second part of the resolution is concerned, namely, Labour Welfare Work, I think it is not a day too soon that we should make the same applicable to Indian States also. Provincial and State Governments alike should help industrialists in this connection. Unless there is an amity of feeling between Labour in the British Indian Provinces and Labour in the Indian States, I do not think that it is possible to get what is called a Federal India, whether in the political sphere or in the economic sphere. It is very necessary that this point should be borne in mind not only by us who are interested directly in the development of industries, whether in British India or in the Indian States, but also by the Governments of both Provinces and States. There is the greater reason why, as I have suggested ere this, the Federated Chambers of Commerce should hold its meetings now and again as much in the States as in the British Indian Provinces. The more you come into contact with Indian States the more will you be able to filter down into the ideas of joint action and application and co-ordination of laws and all other things appertaining to labour and industries. I thank you for having given me an opportunity to make this appeal to this House.

The resolution was unanimously passed.

Mr. Jamshed N. Mehta (Buyers & Shippers Chamber): The resolution which I have the honour to move runs as follows:—

PROTECTION TO SMALL INDUSTRIES

(*a*) This Federation regrets the decision of the Government of India to suspend the departmental enquiry instituted by them with regard to the condition of small industries as affected by Japanese competition, particularly, in view of the fact that such competition still persists in certain industries. It is unfortunate that Government should abandon the enquiry so abruptly on account of the situation brought about by temporary factors like the unsettled political conditions in the Far East and consequent rise in the price of Japanese imports into this country. The Federation is further of opinion that in view of the importance and value of a comprehensive survey of the condition of the small industries with particular reference to their financial resources, technical equipment and cost of production, as providing the necessary data for prompt and effective action for their sustenance in case of emergency in future, the Government of India should take steps for the resumption and completion of the enquiry at an early date.

(*b*) The Federation further urges upon the Government the necessity of having a permanent machinery that would keep a watch on the difficulties of the smaller industries from foreign competition and would recommend to Government immediate measures for their adequate protection.

This resolution is comprehensive enough. I am personally not prepared to give credit to the Government of India that they have stopped this departmental enquiry because of the reason given in the resolution, namely, because of the Japanese war the prices have gone up of Japanese goods. I am not inclined to accept that statement. I feel that it is perhaps for the reason that they do not want to offend the Japanese in certain ways for their own British purposes. I feel that myself. There is no reason why the Government of India should stop the enquiry because of a war which may last for a year or two at the utmost. The small industries have suffered for nearly 25 years, and they will continue to suffer until they are helped, and therefore I feel that the Government of India had no reason whatsoever to stop the enquiry. I think it is a fictitious reason that they have given and I therefore strongly protest against the action of the Government of India in stopping this enquiry. Today if India needs anything it is small industries. We know for certain that even if we have bigger industries in India, it will not be sufficient for Indian labour and Indian enterprise. There will be, there must be, and there ought to be a very large number of cottage and small industries to help our Indian labour, Indian workmen and Indian families. This morning I think we read in the newspapers what an American gentleman said about the paper industry that the hand made paper as made in India is so poor in quality that even in China and Siam they make better paper, and this is because, as he said, there is nobody to guide the men as to how to make the paper. I feel certain that the demand for hand made papers in India will get bigger if it is properly made, if the quality is good. We know for a fact that even agricultural farms require complementary work to keep the men engaged, and so we should be careful to impress not only on the Government of India but on the provincial Governments also that they should establish these small and cottage industries and also guide the families as to how they should do it. I would urge upon the members of the Legislature to take up this question and not a day should be lost in trying to make them start again this departmental enquiry not only in the Government of India but also in the provincial Governments. With these words I move the resolution.

Dr. M. Venkatrao (Association of Indian Industries):

In supporting this resolution which has been so ably moved by Mr. Jamshedji Mehta, I wish to say a few words. Mr. Mehta has already told you how the Government have so abruptly closed the enquiry. Whether on account of the fear of offending the Japanese or anything else, it is very difficult to say but the fact remains that they have closed the enquiry. It is something like calling in a consulting physician in some chronic case. The consulting doctor comes there, examines the patient, and says, "All right. Wait, I will come back." He has not diagnosed the case, nor has he given any prescription, but only says, wait. But by the time the doctor returns back, whether the patient will continue to go on suffering from that chronic disease or will die, nobody knows. Similarly the Nehru Committee began to enquire about the small and minor industries, and without going further into the question whether these industries are suffering only from the price competition of the Japanese or from the price competition of Germans or any other people, the enquiry has been stopped. The minor industries are suffering not only from one malady, but from several maladies, namely, want of properly equipped techincal institutions, organised banking and financial resources. I have been visiting Germany since 1910 and I have seen several small industries started with only half a dozen people or a dozen people, and then growing very big ones. Today I have seen some of these workshops on a gigantic scale, employing more than a thousand people, and of course there are some workshops employing two to three hundred people. Just imagine the unemployment question while we are all crying for the solution of unemployment and people are asking the universities to keep a register of unemployment. But what about the people in the villages who are not getting enough food? Take Deccan. They only work for two or three months in the year during the rainy season and then they are without work for eight or nine months. They have got nothing to do there, and therefore if these minor industries are encouraged by a proper organisation and by the Government, then the unemployment question will be very much reduced. Not only that, the question of unskilled labour will become one day one of skilled labour. Now, forty years ago we started a Surgical Workshop employing only a few people and one or two skilled workmen. An unskilled man who could not even hold a file got eight or ten annas a day. After a couple of years, this very man began earning two to three rupees per day. So, these minor industries not only give employment to the unemployed but they also become the training ground of our people. Unfortunately, the Government have been looking at these minor industries from a step-motherly point of view. These minor industries should be encouraged by all means because these will not only reduce unemployment but will also become the training ground for unskilled labour. I, therefore, urge the Government and particularly the Federation to move in this matter and thus remove the chronic ills from which minor industries are suffering. I have great pleasure in supporting the resolution moved by Mr. Jamshed N. Mehta.

Mr. D. N. Sen (Bengal National Chamber of Commerce):

Mr. President and Gentlemen, I rise to support this resolution. But before doing so, I hope you will excuse me when I say that my feeling on the subject matter of this resolution is very strong. It is because in it I see the old game and the old policy of the Government. As my friend pointed out the Government is giving us a step-motherly lead in all matters of industrial concern, whether it is cottage industries or small-size industries or big mills. Sir, for about fifteen to twenty years these small and middle-size industries have been facing Japanese competition. Their condition grew worse in 1931 when Japan went off gold and her currency began to depreciate. In 1934 the safeguarding duties enacted by the Tariff Amendment Act was introduced. No doubt it gave some relief to the small industries but the peculiar circumstances in which this Act was enacted did not enable these industries to take the fullest advantage of the protection afforded, having regard to the prevailing c.i.f. prices of Japanese goods compared with the local goods manufactured in this country. The competition continued and the manufacturers in Japan, in order to avoid the safeguarding duties of 1934, adopted various measures to get rid of those duties. We hailed the news with great delight when an officer was appointed to inquire into the conditions of the small and middle-size industries. It took them years to start this inquiry and the caravan started moving, but alas, it suddenly stopped. If I may say so, it appeared like Hailey's comet and then disappeared like John Gilpin. Nobody knows when it is going to appear again but the condition of the small and middle-size industries has been going from bad to worse. I commend this resolution to the House for its acceptance and I would also suggest that a permanent board of inquiry should be established, as has been suggested in the resolution to carry on a regular inquiry into the condition of the small and middle-size industries with a view to finding out ways and means of stabilising them and putting them on a sound footing.

The Resolution was carried unanimously.

Mr. Chunilal B. Mehta (Bombay Bullion Exchange):

Mr. President and Gentlemen, the Resolution I am to move is:

DETERIORATION IN FAVOURABLE BALANCE OF TRADE OF INDIA

The Federation views with great concern the increasing deterioration in the favourable balance of trade of India and therefore urges the Government of India to devise suitable measures so as the necessary favourable trade balance may be maintained.

Gentlemen, a favourable balance of trade for India is perhaps the life-blood of the Indian economic structure. We should have every year at least 70 to 75 crores of favourable balance of trade. For, about 50 crores or about £35 million sterling are required every year for meeting the home charges and the balance of about 15 to 20 crores is required to provide for the transfer of profits of British and other foreign companies —shipping, insurance and banking companies—and for meeting interest charges on the private investments of foreigners. I have prepared a table of statistics which has just been circulated. You will see that in the year 1931-32 we had a favourable merchandise trade balance of over 34 crores. Immediately in the succeeding year the favourable trade balance in merchandise came down to about 3 crores only. By that time, England and India had abandoned the gold standard. Since then we have been improving our favourable trade balance every year. In 1933-34 it improved to 34 crores, in 1934-35 to 28 crores, in 1935-36 to 30 crores and in 1936-37 to over 77 crores. That means that last year or in 1936-37, we had a sufficient merchandise trade balance to meet our foreign obligations. But since then, or during the first ten months of 1937-38 ending January 1938, for which period we have got figures, the favourable trade balance has gone down to 16 crores. For the remaining two monhts of 1937-38, I have calculated that trade balance on the basis of statistics for the last two months of the previous year. On that basis, we arrive at a favourable trade balance of only 13 crores for the whole year 1937-38. Since 1931-32 we have been exporting gold to an increasing amount. In 1932-33 we exported about 65 crores worth of gold. Upto now we have exported about 310 crores of gold, and through these exports the Government have been able to secure sufficient sterling to meet their home requirements. But during the ten months of 1937-38, the situation has very materially changed. If the present ratio of imports to exports continues there will arise a very serious situation, as far as the Indian economic structure is concerned. Sir James Grigg in his Budget speech had said that India exported heavily in 1936-37 and she is now importing against those exports. There is always a time lag between exports and imports. But, Sir, that analysis gives little consolation. We do require every year a favourable trade balance of about 75 crores. But if our exports begin to decrease year by year —and it can be easily understood that in the years to come the gold exports will entirely disappear—what will be the situation and what attitude will the Government of India adopt? We have to draw the Government's attention to that contingency from now.

In the inside of the leafleft, that has just been circulated, I have given the details of important commodities that were imported and exported. Looking to cotton, during the 10 months of this year we have imported about 9 crores worth. In 1937-38, according to my estimate of the whole year, we will be importing cotton to the extent of Rs. 11 crores as compared with 5.85 crores last year or worth about 5 crores more than last year. As regards cotton piecegoods we have imported less. The value of imports of other cotton manufactures remains about unchanged. The imports of iron and steel show an excess of a crore and a half. Copper and other metals also were imported in large quantities. Under the item sugar there is not much change. We imported last year 6 crores worth of oil and this year the estimated imports are about 11 crores—an increase of 5 crores. Coming to exports, I find that our raw cotton exports have been reduced by about 10 crores. Under linseed and groundnuts also, there is a decrease. The only rise that has taken place is in tea exports to the extent of about 4 crores.

As regards cotton, the situation is that owing to Japan's inability to pay for our cotton and to the subsidy that America is giving to her cotton growers, American cotton is being sold in the world market at much cheaper price than Indian cotton and, therefore, our foreign buyers—not only Japan and the Continent but even Lancashire—are taking more of American than Indian cotton.

Coming to the different countries I see that during the 10 months we have imported about 3½ crores worth more of goods from the United Kingdom than during the 10 months of last year, while we have exported one crore less than during the same period last year. Therefore, on the whole our adverse trade balance is about 4½ crores with the United Kingdom alone. As regards the empire countries as a whole we have imported 79 crores during the 10 months as compared with 50 crores last year same time, an increase of 29 crores during the period while in respect of exports, we exported 78 crores as against 74 crores, i.e. an increase of only 4 crores more. This big difference is due to Burma being separated from India. We have imported goods worth about 21 crores from Burma and exported about 8 crores to Burma. Therefore we are about 13 crores in adverse trade balance with Burma.

The decrease in our favourable trade balance will be about 50 crores for the year. Even leaving Burma out of consideration and looking to the trade with different countries, I see that almost every country of the world has increased its exports to India and decreased its imports from India, excepting two countries. Italy has taken about one crore worth more from India but she has sold an equal amount to us. America has taken about two crores more from us but she has sold two crores more. We are losing in our trade with every country. The present Indo-British trade negotiations have been going on for about the last 12 months but during the last 10 months the situation has changed very much. I think our unofficial advisers must be knowing the entire situation, and they will, I hope, realise that we ought to revise our terms in connection with the Indo-British trade negotiations. These things have happened while the Ottawa Agreement continued to exist although the Assembly had not approved of it. We have imported more from the United Kingdom and exported less. They said that they were buying more of Indian cotton, but there also they have bought less. Under the item linseed they have bought less and in fact in respect of all other articles they are buying less and selling more.

The result was that the Reserve Bank was able to buy only £24½ million as against the Government's requirements of £35 million for their home charges and the balance of £10½ million was provided by the Reserve Bank by reducing their sterling balances to that extent. Even while securing this 24½ million the authorities had to allow a larger yield on their Treasury Bills to the extent of about 1½ per cent. This made the Exchange Banks tender here for Treasury Bills by bringing in money from England where they did not get any interest. Therefore as a matter of fact even those £24½ million that the Reserve Bank have secured for 1937-38 are not really from the Trade Balance but they have got this only by allowing higher rates of interest on Treasury Bills thus inducing Exchange Banks to tender for sterling. In the coming year the situation is not likely to improve as far as present indications go.

As regards the cotton situation, even assuming that Japan's financial position improves, she will not buy as much as in the past. America has adopted a definite policy of allowing a subsidy to their cotton cultivators thereby hitting the raw cotton exports of India. The gold exports are not likely to continue to the same extent as during the last year. The result will be that the Reserve Bank will have to supply the sterling requirements of the Government of India from their own resources. The Reserve Bank will not be able to get that from the commercial public, and they will have to sell away their sterling resources. We know that the Government of India are wedded to the one shilling six pence exchange and, therefore, every reduction in the sterling resources of the Reserve Bank will mean higher interest charges thus affecting adversely all trades, commerce and industry. The Government of India have not taken a serious view of the present situation upto now, but it is for us, the commercial community to draw the attention of the Government of India to the fact that the present adverse tendency of the favourable trade balance should be checked by any means that they may consider desirable. There are only two means. They can either reduce the imports or increase the exports. And so far as the Government policy is concerned it may be said that they only look to their customs revenue from the import trade. The present Finance Member, Sir James Grigg, does not want to discourage imports of merchandise which give him a large customs revenue. Therefore the only way left open is to increase our exports, but up till now no definite steps have been taken by the Government of

India. Therefore it is for the commercial community to draw their particular attention to this matter, which will assume a more serious aspect if it is allowed to continue. With these words, Gentlemen, I commend this resolution to your acceptance.

Mr. A. D. Shroff (Native Share and Stock Brokers' Association):

*Mr. President and Brother Delegates, I beg to second the resolution proposed by Mr. Chunnilal Mehta. He has already supplied us with ready-made statistics and I think these statistics confirm what this Federation has been telling the Government of India for some years past. Sir, it has been a very interesting story of the rake's progress. If you see the figures from 1931-32 onwards, you will see that India's international indebtedness on the annual balance has been mainly met through the sales of gold. India thus has been trying, as we have been saying, to live on her own gold. A few years ago when we discussed this question in the Federation, I described it as one in which this country is getting an overdraft on her vault. Well, we shall soon reach the limit when it will not be possible for us to continue this overdraft account. The exports of gold have been dwindling and have been going down towards a point when they will entirely vanish. Several possible consequences are then likely to follow. If the balance of trade in favour of India continues to decline, one consequence has been suggeted by the mover of the resolution. We might reach a situation where the value of the rupee might again be jeopardised. But considering the very large sterling resources which are being carried by the Reserve Bank of India out of all the accumulation of sterling purchases due to sales of gold in the past years, I do not believe it is likely that a situation bringing the rupee into actual danger might be reached at least within the next eighteen months or two years. But that cannot make us rest content with the situation. I think it is high time that we should call the attention of the Government to the necessity of their realizing the dwindling balance of trade and of taking some measures. One measure which suggests itself to me is that Government ought energetically now to consider the question of concluding bilateral trade agreements, which I believe will result in offsetting all the very adverse reactions of the Ottawa trade agreement during the last few years. One criticism which has been levelled by this Federation against Ottawa is that while it may lead to some improvement of trade between this country and the United Kingdom, it would be more likely to lead to a smaller trade between this country and other countries of the world. Unfortunately at the moment I have not got figures on hand but I think a close study will confirm the criticism offered by this Federation that as a result of Ottawa we have been doing a smaller amount of trade between us and the principal countries of the world than before. Government might also consider the possibility of facilitating the exports from India to other parts of the world. The experience of countries like the United Kingdom might perhas help us in this direction, but the whole trouble lies here that as soon as you talk of doing anything to support the export trade of India or planning something towards maintaining the economic structure of this country, you are pitted against the orthodox, ultra-conservative traditional policy of the Government of India which refuses to budge an inch in the matter. The only consequence we shall have to face is that we shall have to continue to live on our capital to meet the continuous burden of our annual indebtedness which we have to liquidate abroad. I think we will have done our duty by passing this resolution to draw the attention of the Government of India to the fact that the commercial community view the situation with increasing concern.

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*Speech not corrected.

The resolution was carried unanimously.

Mr. Amritlal Ojha (Indian Colliery Owners Association): Mr. President and Brother Delegates, I beg to move that:

COAL

(*a*) **This Federation expresses its disapproval of several of the recommendations made by the Coal Mining Committee in their report which have been made without going into the questions from an economic point of view, particularly those relating to the establishment of the statutory authority and the rationalisation of the industry. This Federation is of the opinion that the whole problem relating to coal requires a sifting enquiry in consultation with the industry in order to find out ways and means to put this basic national industry on a sound footing.**

(*b*) **This Federation further urges that strong measures be taken to prevent loss through pilferage or leakage in transit which constitutes a serious problem in itself and which has greatly increased in recent times.**

I would like to deal with the latter portion of part (*a*) first. As you are aware, we have been demanding an inquiry Committee to go into the question from all points of view, but instead of giving that sort of inquiry Committee, Government appointed a Coal Mining Committee last year. In moving the resolution on coal in the course of my speech last year I referred to this Coal Mining Committee appointed by the Government to examine two problems: firstly, the question of safety in mining, and secondly the prevention of all avoidable waste of coal,—in other words Coal Conservation. The Coal Mining Committee have produced a mass of recommendations in respect of both. In doing this, to some extent the Committee have gone out of their way and made certain recommendations without going into the questions in all their aspects and without also giving the industry an opportunity to express their views in these matters. As for the factor of safety, the Coal Industry has more or less nothing much to grudge against the recommendations made, though some of the recommendations have entailed more than necessary expenses to the coal mines. The Industry has also accepted the rescue station bill which is coming under consideration, though many of us are still doubtful whether the proposition will be useful for the purpose of achieving the object in view, and still the Coal Industry will have to bear the huge amount of cess in order to maintain these stations more or less on the lines on which they are maintained in Great Britain. It is in connection with the prevention of so-called waste of coal that the Committee have recommended, among other things, a statutory Authority, the control of mining methods and the control of coal mines, in a way as if the owners of mines did not care for their own interests, in other words for their own properties. In fact the Committee have recommended the rationalisation of the Coal Industry but without any compensation to the mine owners, in other words, rationalization without nationalisation of the industry. These recommendations if adopted will necessitate interference with private rights. Why ? Because it is with a view to preservation for posterity of irreplaceable assets which it is alleged are being squandered at present. I do not question the right of Government as being trustees for the posterity but we do submit that consideration of the future must take into account the circumstances of the present if the building for the future is to be on solid foundation and the thorough understanding of the present difficulties of the industry and the causes which have created them ; and an attempt to stabilise the industry and to guard against the recurrence of its difficulties will only be successful if due regard is given to the essential preliminaries to any legislative measures affecting the Industry which are intended to benefit posterity. Gentlemen, from the evidence before the Coal Mining Committee it will be seen that almost all the important witnesses expressed the opinion that there should be no such control whatsoever, and that if the Government were to enforce any such control, the owners of the mines should be compensated and the properties acquired by the Government. It was on this account that two important Indian Members of the Committee had submitted their minority report. One of the recommendations of this Committee is that in order to avoid waste or to have more coal from coal mines, sand-stowing should be adopted. I may give you one example only for the sake of information, as I am not dealing with all aspects of the question. This information will be very interesting to you, Gentelmen. To sand-stow a coal mine a huge quantity of sand will be required and to get it they will have to make arrangements. I do not know how that arrangement can be made. In anticipation of the compulsory sand-stowing, an enterprising English Company has already acquired two important rivers in the Coalfields thinking, the sand-stowing is coming and that they will be able to make money by controlling sand. But before anything is done, I should like to know from the Government how it would be possible for them to continue supplying the necessary sand throughout the year because during monsoon rivers will be flooded. If they want to keep sand in stock, I do not think it would be possible for them to keep huge stocks. On the other hand they would require a large number of wagons for transportation. Railways are not in a position to supply wagons even to carry coal and other essential commodities at the present time, and you can well understand what it would be like if they had to carry sand also. It is estimated that the sand-stowing might cost one rupee—some experts have put it down at two rupees, and I do not know how it would be possible for coal mine owners to get an additional price of one rupee or two rupees per ton. I would like to inform you that coal prices are generally more or less based on the price of coal paid by the Government for Railways. As Railways are individually the biggest buyers of coal in India, Gentlemen, you will be surprised to hear that Railways are not prepared to pay even remunerative prices for coal in this country. Last year when they invited tenders, the price of coal was at the lowest. The tenders were submitted by collieries at low prices. They kept the tenders under consideration for about three months and at the time when the tenders were accepted, the price of coal had gone up by one or two rupees per ton. Though some of the coal mine owners wanted to withdraw their tenders on account of the price having gone up, they were not in a position to do so. Later on, on account of shortage of labour the collieries could not produce as much coal as they had expected. The Railways not only wanted the arrears which the collieries could not supply on account of shorttage of labour but they exercised their option to take ten per cent more, which I think, the Railways should exercise only in cases when they require more coal for their requirements. In this case on account of the price, they exercised this option. This year tenders were invited in the month of December. At that time the price was very high and the collieries quoted on the basis of the prices ruling in the market. Again the tenders were kept in abeyance for consideration for three months and a decision has been taken only recently accepting some of these tenders, because they have been informed and they think that circumstances are not as they were before and the prices might go down. Accepting some of the tenders, again they are in the market inviting fresh tenders for about three lakhs of tons. This has created a panic in the market. Many people as a matter of fact consider for the Railway Custom as a very important and valuable custom, and they have had to quote comparatively low prices for securing these contracts. If the Railways are not prepared to pay remunerative prices and they themselves would like to take coal at such prices as I have said above, how would it possible for coal people to expect higher prices from others ? In consideration of all this I think, if anything should be done, it should be done after considering the question from all points of view.

I now come to part (*b*) of the resolution. I think almost all consumers are aware of the shortage of coal at destinations. In pre-war days or some time upto 1918 or 1919 there was an arrangement under which coal wagons were re-weighed on payment of about one or two rupees per wagon, and if the coal was found short the railways to compensate for the shortage. This practice they have discontinued. Since then the Coal Industry has approached the railways more than once. But they have not considered the representations favourably. We find from some of the complaints that we get from our clients that at some places the shortage is to the extent of about 20 or 25 per cent. As you are aware, the price of coal at the pitmouth is about 3, 4 or 5 rupees and the coal freight is in some cases Rs. 15, 16 or 20 per ton. I think it is a great loss and I may say that it is due in most cases to the negligence and wilful acts on the part of the railway servants. At the destination stations you will find coal being taken away by the railway employees and if the railway will only make enquiries, they will find that it is a fact that their employees generally use coal as domestic fuel which they do not buy from the market nor do they pay for it. With these words, I commend this resolution.

Rai Bahadur P. Mukerjee (Indian Mining Federation): Mr. President and Gentlemen,

I must at the outset offer my apologies to you and my brother delegates for rising to second the resolution. The usual time required to enable one to address such a distinguished audience as this, has not been available to me and I am afraid my task will be somewhat perfunctory. It was only a few minutes ago that I was told that the gentleman who was to have supported the resolution was absent and I should take his place. I had no time even to collect my thoughts and it is at your behest, Mr. President, that I shall say a few words. The resolution seeks to impress upon Government the disapproval of the Federation of the several of the recommendations made by the Coal Mining Committee particularly those relating to the establishment of the Statutory Authority and the rationalization of the Industry, and the necessity for further enquiry on the problems of the Industry with a view to putting this basic national Industry on a sound footing. Rationalization, I believe, is a term of recent origin and I must confess it finds no favour with me. I cannot understand why private enterprise should be hedged round by rationalization or any kind of State interference.

One very strong point which appears to me to be in favour of the appointment of a fresh Committee is that none of the three major associations representing the coal industry, namely, the Indian Mining Association, the Indian Mining Federation and the Indian Colliery Owners Association co-operated with the Coal Mining Committee and their report therefore cannot be considered as either satisfactory or complete. Soon after the publication of the report the Indian Mining Association thought it fit to publish a Memorandum of their own. It is an interesting document and I wish I had the time or the capacity to explain their point of view—which in my opinion would be in support of the present resolution.

The mover of the resolution has explained to you the difficulties of one of the recommendations of the Coal Mining Committee which relates to "Sand Stowing". Mr. Ojha's estimate of cost of sand stowing at one rupee per ton appears to me to be very modest. I do not pretend to be an expert nor am I sure if any expert would be able to strike a workable average about the cost of sand stowing for collieries situated far away from the rivers, the source of sand. I am afraid the cost would be enormous and if sand stowing is statutorily enforced the price of coal will rise so high that the Federation will have to make strong protest, for the sake of the consumers, in keeping down the price of coal. That is only one aspect of the question.

As regards the Railway Tenders a question raised by the mover of the resolution, I have not much to say on the present occasion.

I now come to the second part of the resolution which deals with shortage of coal in transit, due mostly to pilferage. I shall place before you the consumer's point of view, as it is he who suffers most. That it is a great handicap to the industries consuming coal—particularly those situated far away from the coalfields, as in Northern India, is apparent. The shortage is general; it is sometimes more, sometimes less but when it goes up to 10 to 15% which is not very unusual, it becomes intolerable. But there is no machinery to prevent the shortage. An attempt was made, about thirty years ago, in that the consumers of coal were granted refund of railway freight on the loss of coal found on actual reweighment on the Railway Weigh Bridge at destination but the facility was abruptly withdrawn without assigning any reason for it. This facility was available subject to the proviso that a fee of rupee one per wagon was levied for each wagon reweighed; and reweighment was permitted only at those Railway Stations which had Railway Weigh Bridges. Pressure was brought on the Government to review the system of reweighment, but the Hon'ble the Commerce Member replying to a debate in December 1926 was resolutely opposed to it. While admitting that the shortage of coal at destination was a serious question, as the Railways themselves the greatest consumers of coal in India, were not free from this loss, yet he would not permit any reweighment unless coal consignments were booked under

Railway Risk. That was begging the question. The rate of railway freight under Railway Risk, as you are well aware, is so exorbitant that consumers would rather suffer the loss in shortage than be mulcted by the Railways by paying high freight. That the complaint is real no one can deny. Persons travelling during the winter months must have seen blazing heaps of fire near about most Railway Stations and it does not suggest even to the casual observer that the coal is Railway property. For about twenty years the complaint of shortage of coal in transit is going on and there is no remedy in sight.

I have great pleasure in seconding the resolution.

Mr. N. N. Rakshit (Bengal Industries Association):

I thank you very much for giving me permission to enlighten the members about another menace than pilferage and leakage. The mover of the resolution is a colliery owner, the seconder also is a coal owner, but I represent the consumer. Besides pilferage and leakage there is another, namely, the incorrect tares, defective weighbridge. I shall give you facts and figures by a letter to the Federation enclosing the copy of a letter from a Railway. Now I can cite one instance. I have supplied certain cast iron sleepers to the N. W. Rly. to Ghaziabad. The railway receipt weight is far above the specified weight of the sleepers and I received a complaint from the railway authorities that these sleepers were under weight. Then I forwarded the railway receipt weight of those five wagons; and they informed us that those sleepers were actually weighed at the destination, and it is written by the Railway Authority that either the weighbridge is wrong or the tare is wrong. I shall forward the original letter to you if you want. This is not the only instance. I can quote several other instances. With these words I support the resolution.

The resolution was adopted unanimously.

Mr. M. C. Ghia (Indian Merchants' Chamber, Bombay):

Mr. President and Fellow Delegates:

I have great pleasure in moving the following Resolution:—

EXTENSION OF FACTORIES ACT

This Federation is of opinion that the proposed extension of the provisions of the Factories Act dealing with health, safety, children, and registration, to small power factories employing from 10 to 20 persons, and the proposed grant of power to

Provincial Governments to extend these provisions of the Act to power factories employing less than 10 perosns are likely to prove a handicap to the development of minor and cottage industries which do not possess the requisite technical staff to enable them to comply with the complicated requirements of the Factories Act.

Sir,

This Resolution can be easily divided into two parts, (1) Statutory application of certain Sections of the Factories' Act dealing with health, safety, children, and registration to concerns using power and employing 10 or more persons. (2) Option to Provincial Governments to extend the application of these clauses to concerns using power and employing less than 10 pesons.

The present Factories' Act as codified in 1934 and amended in 1935 is applicable to concerns employing 20 or more than 20 persons and the Provincial Governments have been given power to declare premises to be factories if a manufacturing process is carried on with or without power where 10 or more persons are employed.

It will not be out of place here if I point out that the Government of Bombay has made use of this local option and has by its Notification No. 1822 of 8th November 1937 extended the application of the sections relating to health, safety, hours of work, periods of work and weekly holidays to certain factories employing ten or more workers. The Indian Merchants' Chamber and the Industries' Association have protested against this application of the Factories Act to small concerns as they cause great hindrance and inconvenience both to the small factory owners and the workmen. They have pointed out these difficulties in their Memorandums submitted by them to the Government of Bombay.

Sir, we are all agreed that there should be considerable improvement in the sanitary and hygenic condition of the workers. A healthy and efficient labour is a great asset to an Industry. Without it Industry cannot thirve. I am also prepared to concede that the industrialists should do everything in their power to improve the working conditions of the employees and thus improve their efficiency which in its turn will help the industry.

But, Sir, before burdening the industry with all these new regulations sufficient care should be taken to see that we do not kill the very hen that lays the golden egg. This extension of the Factories' Act to specified classess of premises where manufacturing process is carried on with 10 or more persons without power has created very many difficulties in the working of these factories.

It should be borne in mind that majority of the small factory owners are small employers most of whom are more or less artisans or labourers themselves. They are men with scanty capital and little or no organisation worth the name. In many cases such owners have not got the advantage of the liberal general education necessary to enable them to understand the scope of the Factories' Act. Their staff is neither big nor well trained so as to comply with the demands of the Factory Act. The hours of work in most of them are not rigid. In several of them the work is of an intermittent type. More often it does not require that rigour and concentration which is necessary in a big factory.

This extension of the Factories' Act by the Government of Bombay, however limited in its application has created a vast number of complexities. These small factory owners who have to fight against heavy imports of foreign goods are likely to be further handicapped and it is feared that the existence of some of them is in danger. They are not fully equipped with sufficient machinery and skilled workers to complete the work undertaken by them in a fixed time and on certain occasion they have to work overtime and get the necessary turnover. Even the processes are such in some cases that shift working is not possible. Hence to force them to work for certain fixed hours is to add to their difficulties.

This application of certain sections of the Factories' Act has raised their cost of production by making the whole process more cumbersome and expensive. In certain manufacturing processes due to scientific chemical or other reasons of a particular character it is found necessary to complete the work during tne course of the day and for doing so extra time is necessary. If it is not permitted to work overtime and the work is held over for the next day there would be considerable damage to the Factory owners. For instance dyers have to depend to a considerable extent on the whims of weather. In dry seasons they can finish their work soon, while in Monsoon and in Winter they are not sure of the time they will have to wait before the cloth gets dry. To fix up in their case certain fixed hours of work would mean leaving the work for the next day which would mean spoiling it. In the case of Baking Industry the work is of an intermittent type. The bread which is prepared out of flour takes some time for preparation which differs according to seasons. Sometimes the workmen have to remain idle for two to three hours until it is ready to be weighed and made into balls of different sizes. It does not require arduous labour such as a worker in factory has to put up. Further the bread cannot be supplied fresh if the factory has to be closed for a day unless fresh hands are employed and this will entail more expense which again will fall on the poor consumer thus making the bare necessities of life dearer to the starving people. Particularly in Bombay and similar cities where large portion of the labourers have bread as their morning meal the suffering due to higher cost of bread will be immense. Moreover the demand in the case of bread and other pastries is not fixed. Sometimes due to holidays and festivities the demand is very great. If during the active seasons the Bakeries are not allowed to work overtime for which extra payment can be given to the workers the demand would not be met with and the consumer would be hard pressed. The same is the case with the manufacture of Indian sweetmeats.

Even if we examine this extension of the Factory Act from the point of view of the welfare of the labour employed which I believe is the objective of Government in extending the scope of the Factories' Act to such small industries we find that it too has not been served. It will not be out of place to point out that the step in question will affect the labour adversely. Mostly the work of the small manufacturing processes is carried on contract or piece work basis i. e., payment of stipulated amount of wages or remuneration on a definite turnover. Limitations of the hours of work and other restrictions will naturally affect the capacity of the labourers to turn out the required quantum of work necessary to enable him to earn the wages that he was ordinarily earning before, with the result that the earning of the labourer will be reduced and instead of any benefit accruing to him from the altered condition he will find his economic condition worsened. Then again in manufacturing process where the system of piece work remuneration prevails, it is possible that the whole work may be given on contract to be done at the premises of the worker himself with the result that in the absence of proper supervision and control his efficiency may suffer and consequently the progress of industry be retarded. Further it is possible that if such handicaps are put in way of the industry which is struggling very hard to withstand foreign competition it is likely that the industry may have to be closed down or to reduce the number of workers so as to be exempted from the application of the Factory Act. This in its turn will mean reduction in the number of workers employed and thus will be a loss to the labourers.

Sir, these are some of the difficulties which both the small factory owners and the workers employed in them in Bombay feel as a result of the extension of the Factories' Act to manufacturing processes employing more than 10 persons.

The move of the Government of India is more harmful inasmuch as it is more extensive and broad. It proposes to apply the health, sanitary, safety and registration sections of the Factories' Act to all power factories employing from 10 to 20 persons. This application is not to be left to the option of the Provincial Government as at present. It is to be made a Statutory obligation. Further the Provincial Governments are to be granted power to extend these provisions of the Act by Notification to power factories employing less than 10 persons.

This extension of the Factories' Act if carried out will put many difficulties in the way of small industries. Not only the owners will be hard hit but also the labourers.

In this connection I need hardly point out that this Government which is so very anxious and generous to push forth labour legislation irrespective of the capacity of the industry is very hesitating and halting when the need for granting aid or protection to any of the industries comes before it. In view of all these I would urge upon Government not to amend the Factories' Act in the direction in which they propose to do. It is hardly necessary for me to assure Government once again that a large number of small industrialists and factory owners in this country who are really poor not only in their organisation but in every other way will be greatly hard hit by the application of this Act.

Sirdar P. S. Sodhbans (Indian Chamber of Commerce, Lahore):

*I have pleasure in seconding this resolution. I may state that if this Factories' Act were extended to the Punjab, the

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* Speech not corrected.

Punjab's small industries would greatly suffer. In the Punjab there are very many small industries, such as, gut making, manufacture of sporting goods, toys, house and office furniture, iron safes, weaving industry in villages, inlaid work and household furniture, carpet and dhurry making, basket making, flour mills, walking sticks, and many other things. In some of these industries the progress is not so much as one would like. That is all due to want of proper knowledge because most of these industries are in the hands of uneducated people.

Sir, as far as the questions of sanitation and hygiene are concerned for which this Act came to be passed, well, there are local laws which the local municipalities can enforce. The rules of the Factories' Act are very rigid, and if the Factories' Act is extended to these small industries, they will place a great deal of restriction upon the extension of cottage industries. Sir, my friend Mr. Ghia has already stated the arguments *in extenso* against the extension of the Factories' Act. Mr. Ghia has specially touched the sweet-making industry and the question of bakeries. Perhaps he is thinking of the sumptuous tea which we have to take later on and perhaps that is why that industry is now much in view. (*Laughter*). Sir, I second the resolution with these few words.

Mr. R. K. Sidhwa (Karachi Indian Merchants' Association):

*I entirely sympathise with the difficulties experienced by the small industrialists in India. At the same time I am sorry I cannot subscribe to the resolution that has been placed before this House. We have to look at the matter from a broader point of view and the changed conditions in this country. Sir, the health and sanitation of our labourers is of equal importance everywhere—whether in the small factory or in the big factory. If their sanitary and health conditions are now properly safeguarded by big industry, I cannot understand why they should not be similarly applicable to the small industry. I see some of the small industries where this Factories' Act is not applicable, and what are the conditions? Under the rules, for six labourers there is one set of latrines provided, but here for fifteen to twenty labourers you will hardly find even one set of latrines in many of these factories. Then children of the ages of ten and twelve are employed without any consideration of the amount of services taken from them and the time. Then there is the question of the women employed. I, Sir, feel that unless the industrialist, big or small, considers this point from the changed conditions of the present day, a time may come when we shall have to be really sorry for ourselves. If you ignore the labour problem, it would mean the ruination of your industry. Of course I am speaking from this platform on behalf of industry, for the benefit of industry, and in the interest of industry. What is the problem today all over India as regards the labour conditions? Sir, I fail to understand why the industrialist cannot adjust himself to the conditions under which he is now put. Take for instance the matter Mr. Kapadia was discussing on the other resolution referring to the Labour Committee's Report in Bombay. Sir, the Labour Committee made a suggestion for the enhancement of wages in the Bombay Presidency for labourers, and the industrialists accepted that. How graceful would it have been if, without the intervention of the Government, the industrialists themselves found out a plan for the betterment of labour? And if industrialists consider this aspect from that point of view, I can assure you that the time will never come for anyone to interfere. What a pity they merely say, in effect, while accepting the increase in wages, "while it is not desirable, we accept it". Surely, this subject has been hanging fire for such a long time, and if the industrialists in their own in-interests had considered and assented to this, I am sure the Bombay Government would not have thought it advisable to intervene. Similarly, I contend that today in order to safeguard the interssts of industry, the Congress is resolved that they should intervene for the benefit certainly of labourers but at the same time for the benefit of the industrialists. You know the third factor in this country, that is agitating the labour problem considerably, and that is the communists, and if you do not adjust these matters in right earnest, the time will come when the communists will capture the industry and that will be a serious problem in India. Sir, it is true that the communists want labour to be treated from a different point of view.' I have always voted for the progress of industry in India, and in my own province of Sind there is a considerable lack of industry. For the last 20 years we have been trying to have some big magnates starting the textile industry there but somehow or other our millionaires there are not enterprising. They invest their moneys in concerns that are likely to be profitable. The Director of Industries in Bombay has made out a report that there is a vast field for the textile industry in Sind to the extent of nearly ten or more mills. I am trying to arouse the interest of the Government of Sind in the desirability of starting a textile industry and we are working in that direction. Sir, I am myself in favour of industry. But when I am advocating the cause of labour, I am also reminding the industrialists here that "if you do not adjust, the industry will have to suffer." I will give you a concrete example of what happened in the city of Karachi. There a big cement factory is being started and it is on the verge of completion, to the tune of sixty lakhs—one of the biggest factories in the whole of India. Nearly two thousand labourers were engaged during the transitory,—that is the construction—period. A communist leader wanted to organize the labourers there. Having come to know that, I stepped in. I took the proprietors into confidence and told them that "you are getting more than eight hours work from them, you are giving them no holidays on Sundays and there are many difficulties." The proprietors saw the reasonableness of my argument. We at once called a meeting of the labourers, we at once started a trade union and the proprietors adjusted the hours and gave the Sunday holidays and today while the factory is still working, they have started a very fine hospital both for indoor and outdoor staffed with the best doctors for the benefit of labour and a night school has been opened for the labourers and a school has also been opened for the children of the labourers. Play-grounds and recreations have been opened and after the factory is in complete working they intend to give recreation grounds for tennis, football, etc. When this communist leader turned up, the workers with one voice said, "we do not want you; we are happy". Now why should not industrialists consider this question themselves and look to the benefit of the labourers ?

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* Speech not corrected.

A delegate: Are we, Sir, not discussing the question of the application of the Factories Act to small industries ?

Mr. Shri Ram: I think, Sir, Mr. Sidhwa has gone completely off the rails.

Mr. Singhania: I want to know, Sir, whether Mr. Sidhwa is supporting or opposing the Resolution.

President: Mr. Sidhwa is making the point clear and bringing to the notice of the industrialists the question whether in starting small factories they should not look to the interests of the labourers in the small industries as well.

Mr. Singhania: I feel Mr. Sidhwa will be doing justice to us if he will let us know whether he is supporting or opposing the resolution.

President: Mr. Sidhwa did in the beginning make it clear that he did not agree with the resolution and that he was opposing the resolution.

Mr. R. K. Sidhwa: Sir, you cannot differentiate between the small factory and the big factory. I can quite understand the argument that you do not want the Factories Act; but to say that you do not want that Act, while it is applied to the big industry, to be applied to the small industry because it does not pay, is not right. I appreciate that point, however, because I myself lost thousands of rupees in starting small industries. But that is the difficulty. First of all we are here for protection from the Government. The Provincial Governments today have also set aside lakhs of rupees for the protection of small indutries. I for one feel that if such an industry does not pay, it should not be started, but when an industry is to be started, all this has to be reckoned and a certain percentage has to be set aside for the welfare of labour. I can assure my friend Mr. Singhania that the troubles will always remain; and if they are eager to invite trouble, all right, let them have them; I do not mind it. I am not talking on behalf of labour; as I told you, I could not have been here in this seat for the last eleven years from the inception of this Federation, if I merely advocated the interests of the labourers. Therefore, for the purpose of the betterment of industry I make this humble suggestion that you should allow this Act to be applied to small industries also if you have any feeling for the labourers there also.

A delegate: Will it not be costly?

Mr. Sidhwa: If so, I for one feel that then the industry should not be started. We must ask for protection from Government. The conditions are different in this country; and until we achieve self-government I know these difficulties will recur as you are experiencing in the big industries but you can overcome them there, but what will become of the small industries? I think they will ruin themselves if all these concessions and conveniences are not granted to their labourers. Mr. Ghia stated and Mr. Sodhbans admitted that the conditions in the small industries as far as sanitation and hygiene are concerned are deplorable. Would you allow that to continue? Somebody must intervene and it is only the agency of the Government that can intervene and remove them. From this point of view it would be in fairness to the small industries existing in this country and that would hereafter exist that we should not pass any such resolution. I have come here to give you my humble piece of advice knowing as I do something of industry and also of labour and I say that unless you adjust yourselves to the times, industry will suffer. Our industries, big or small, are suffering and they are in their infancy, but all rules ought to be applicable to one and all and you cannot discriminate. From that point of view I oppose this resolution.

Mr. Gordhandas G. Morarji: Sir, while Mr. Sidhwa is very anxious for the improvement of the conditions of labour and of the poorer people, I can speak with some knowledge upon this question. I have had the pleasure of meeting some small artisans to whom this Act has been applied in Bombay. I met something like 400 artisans to whom this Act was extended, and they have with one voice said that whilst the sponsors of legislation like this have always under the guise of improving the conditions of labour come forward with handicaps of this type, they themselves did not want such restrictions. It is not only where power is applied but also where it is not (for instance to a goldsmith's shop or a bakery where everything is done without electricity or any other power), that this Act has been applied. They say they have not the adequate staff to meet all the requirements demanded by this Act, and the ultimate result of the application of this Act will be that these poor artisans and the owners of the small factories will be penalised by the inspectorial and other staff who are well known for their activities in the bigger factories. I should not be surprised if some of the bigger capitalists were to come forward and say that "the sooner these people were out of the scene, the better would be for us all because they under-sell our goods and make their men work for eight or ten hours under conditions which are very much cheaper than we can resort to." People forget that these smaller people have also the right to exist and that they should also be allowed facilities which are their own legitimate rights, and if all these handicaps should be put in their way, they would be crushed under it. May I ask Mr. Sidhwa whether the municipal authorities are blind to all these things?

It is the duty of the municipal and local authorities to see that all the provisions which are needed by human beings are provided. Does it require the extension of this Act to say that tomorrow a latrine should be provided for a shop where a goldsmith is working with four or five of his apprentices and with one or two members of his family members? Do you want that we should resort to such tactics as these? I shall give an example of a goldsmith who attended a conference that was called in Bombay. He said that he had eight people working in his shop where no power was applied. There were three of his family members and some apprentice boys, one belonging to the supervisory staff and literally a member of the family,—eight of them were working there. The inspector comes to him and says, "how many are you there?" He says, "we are only eight". "How many were you last year?" He says "eleven". The inspector says, "well, where is the guarantee that you will not extend to a figure over ten? Therefore the application of this Act is made to you." I ask, "where are these apprentice boys to go and learn the art of the goldsmith or the blacksmith?" There are no schools provided where they can learn their art. Under normal conditions should we come in their way and say that "you will be penalized and you should live at the mercy of the inspectorial staff?" These are some of the objections of such application of the Act. If those who have got the welfare of labour at heart will exert their influence with the local and municipal authorities in connection with questions of safety and health and the other requirements, the need will be met; and I think at this stage, if you do not wish to crush our small industries and the small artisans like those I have specified we should support the resolution.

Mr. Shri Ram: Sir, I am one of that class of people which is called blood-suckers, capitalists, exploiters and I do not know what else. I am not referring to my friend Mr. Sidhwa of course. Fortunately I am one of those who have got a certificate from every class of people about my treating my labour very well, and therefore I have got a right to speak with some authority on this matter. If Mr. Sidhwa has a hundred per cent love for the poor pepople, I can claim to love them at least to the extent of seventy-five per cent. As Mr. Morarjee has just now said this resolution, if anything, is against us. None of us is supposed to employ ten persons or less; those whom we represent employ not ten but hundreds and thousands and perhaps tens of thousands of persons, so that this is in the interest of the small factory owner, who still is the backbone of the country so far as industry is concerned. If what Mr. Sidhwa says is taken to its logical consequence, what will be the result? The domestic servants whom Mr. Sidhwa employs in his own house will refuse to work on Sundays and to work for more than eight hours and I wonder if Mr. Sidhwa is actually following it in his own house.

Mr. Sidhwa : Sir, we are talking of factories—not of households.

Mr. Shri Ram : Everywhere efforts are being made to improve cottage industries and to provide work for the farmer during eight months in the year, and all that. I do not think this country has reached that stage of perfection when we could apply this Act, full of all sorts of intricacies to all and sundry. Thus with regard to the interpretation of a certain rule the Government of Bombay had to file a test suit against one of the millowners in Bombay. Do you think that it will be possible for a person making a few socks in his house with his family members or doing one hundred and one things and earning a small sum—while the whole family is working—say about a rupee a day, to provide all the things that you are speaking of ? The only result will be that while now he has not got certain amenities, or while the labourers in certain factories mentioned by Mr. Sidhwa have not got those amenities, it must be remembered that still they are getting at least one meal or a half meal a day, and that also will be stopped. I do not think Mr. Sidhwa wants to deprive these people of that.

Dr. M. Venkatrao : My contention is that the mover of this resolution, Mr. Ghia, I think has no quarrel with Mr. Sidhwa so far as the provision of sanitary and hygienic advantages to the labourers are concerned. The difficulties are, however, there. Every factory owner will automatically have within a short time to provide all these amenities to the workers, and they are coming in by and by. The difficulties that have, however, been experienced by these small factories are enormous. Our association of industries called several of the small factory owners and consulted them. We hope that the difficulties, however difficult, will be solved, but the only thing is that the factory inspectors and these people will, we fear, abuse the provisions and will unnecessarily jeopardise the small industries.

The Resolution was carried with one delegate dissenting.

President : We shall now adjourn the meeting of the Federation till tomorrow.

SECOND DAY'S PROCEEDINGS

SATURDAY, 2nd APRIL 1938

The Annual Session of the Federation commenced its sitting in the Old Assembly Hall at 11-30 of the clock, the President, Hon. Sir Rahimtoola M. Chinoy, presiding.

Among those present, besides the Delegates, were Mr. A. C. Datta, Dy. President of the Legislative Assembly, Mr. S. Satyamurti, Dy. Leader of the Congress Party in the Legislative Assembly, Sir Haji Abdoola Haroon, Swami Venkatachalam Chetty, Hon'ble Mr. P. N. Sapru, Hon'ble Mr. V. Ramdas Pantulu, Seth Govind Das, M.L.A., Mr. Anantsayanam, Hon'ble Mr. Parkar, and Mr. Ramsay Scott.

President : I have to draw the attention of the Delegates to Rule 14 of our Constitution relating to Delegation fees. It is possible that through oversight of this rule, some of the delegates have not paid their delegation fee. I should like to take the sense of the House if they would permit such of the delegates who have not paid their delegation fee to pay it now and thus become entitled to all the privileges of a delegate.

Mr. J. J Kapadia : This is a question of great importance. I myself wanted to ask a question as to whether all the delegates who attended this session had paid their delegation fee. The rule is very clear on the point. It has been deliberately laid down that a delegate who fails to pay his delegation fee will stand deprived of his rights and privileges. I do not understand why if a delegate has not paid his delegation fee, he should have the right to pay it now and thus become entitled to all the privileges of a delegate and also be entitled to stand as a candidate for election. There is no provision in the constitution which summarily authorises the delegates present at a meeting to suspend the constitution. We have framed a constitution, the constitution is there and it must stand and it must be worked honestly and faithfully. I submit if a delegate has not paid his delegation fee, he loses the rights and privileges attached to his office as a delegate of the Federation. I think the Federation will be stultifying itself if it suspends the constitution in the summary manner suggested.

Mr. Khosla : While supporting the proposition put forward by my friend Mr. Kapadia, I strongly feel that the rules must be obeyed. If in the very first year after the framing of the constitution, you are going to evade the rules, what will happen in the future ? I insist that those delegates who have not paid the delegation fee of Rs. 20 should not be allowed to vote.

President : It was never my intention, I have no powers under the present rules, to waive the rules and that is why I have put forward this proposition before the Federation for its approval. It seems to me that through oversight, the delegation fees have not been paid by some. It is a technical omission and I want to take the sense of the House whether the rules can be waived or whether they are to be enforced strictly.

Mr. Kapadia : How many delegates are involved in this ?

President : I understand that representatives of seven Member-bodies have not paid. So no voting paper should be issued to these member-bodies.

President: Seven candidates have not paid their delegation fees.

Mr. D. P. Khaitan: Seven people are standing as candidates, but they have not paid their delegation fees.

Mr. G. G. Morarji: Will their names be circulated ?

President: It will all depend upon the decision of the House.

Mr. Khaitan: If I understand Mr. Kapadia right, I think he meant that if a person has not paid his delegation fee, he cannot stand for election to the Committee. I beg to submit that that contention is not at all correct. If you will kindly refer to Appendix B, it lays down rules for election to the Committee of the Federation, you will be pleased to find in Rule 2 (1):

> A Member-body shall be entitled to nominate such persons for election to the Committee as possess the following qualifications:
>
> (*i*) He shall be among the delegates nominated by that Member-body for attending the next Annual Meeting.

It nowhere mentions "that the delegation fee must have been paid". On page 9 you will find the question of Delegration Fee.

> Each such delegate to a General Meeting shall pay Rs. 20 (or such larger amount as may be fixed by a resolution of the Federation) as delegation fee to the Federation before the commencement of the General Meeting.

In Rule 12 it is mentioned—

> (*a*) Each Member-body shall be entitled to nominate 4 delegates to attend the general meetings of the Federation.

Now it is this 12 (*a*) which is referred to in Appendix B—that he shall be among the delegates nominated by that Member-body for attending the next annual meeting. So that, Sir, if a person comes under the category of Rule 12 (*a*), namely, that each Member-body shall be entitled to nominate 4 delegates to attend the General Meetings of the Federation, he is entitled to stand for election to the Committee. The question of delegation fee does not arise until rule 14:

> Each such delegate to a General Meeting shall pay Rs. 20 (or such larger amount as may be fixed by a resolution of the Federation) as delegation fee to the Federation before the commencement of the General Meeting, but he shall not be required to pay more than once even though nominated by more than one Member-body. Any delegate who has not paid his delegation fee, shall not be entitled to exercise the privileges of a delegate.

Now, Sir, I again refer you to Appendix B, Rule 2 (1). It does not say that he shall be a person entitled to exercise the privileges of a delegate: all that it says is that he shall be among the delegates nominated by a Member-body. So that, Sir, the crucial test of this rule is that he shall be among the persons nominated to be delegates—not that he shall be a person entitled to exercise the privileges of a delegate. The reason for this distinction is that a person may want to stand as a candidate for election to the Committee, but on account of illness or some other unavoidable reason may be unable to attend the Annual General Meeting of the Federation. In these circumstances it is not necessary for him actually to pay the delegation fee, but he must be in the list of persons nominated as delegates, though by reason of the non-payment of the delegation fee—just as much as by reason of his absence from the Annual General Meeting—he cannot exercise the privileges of a delegate. Can it be contended that because of his absence from the Annual Meeting, he cannot stand for election to the Committee? I submit, Sir, nobody can put forward that contention that if a person is absent from the Annual Meeting and therefore cannot exercise the privileges of a delegate, he cannot stand for election to the Committee. I hope, Sir, that nobody can put forward that contention. The non-payment of the delegation fee is tantamount to absence from the Annual General Meeting and it does not go beyond that.

Mr. A. C. Khosla: What are the privileges of a member who is present?

Mr. D. P. Khaitan: The previleges of a member, if he is present, is to take part in the discussion, to vote on resolutions, to vote for any amendment of rules, to vote for election to the Committee if he has the right of priority.

Mr. A. C. Khosla: If the member is present and has not paid the fee?

Mr. D. P. Khaitan: He is as good or as bad as an absent member. He cannot exercise the privileges of a delegate, but Rule 2 (*i*) in Appendix B, although it does not lay down that he should be entitled to exercise the privileges of a delegate, states that, if he is among the delegates nominated by a Memer-body under Rule 12 (*a*) on page 8, he is entitled to stand for election as a member of the Committee. I submit, Sir, that non-payment of delegation fee does not debar a person from standing as a candidate for election to the Committee, so long as he is nominated by a Member-body in their list of delegates and possesses the other qualifications mentioned in Rule 2 of Appendix B.

Sirdar Sodhbans: I entirely support what my friend Mr. Khaitan has said on this point. Sir, delegates are nominated by Member-bodies. In some cases the fees are paid to the Member-bodies, and it is for them to remit the money. My view is if payment has been made to the Member-bodies, it is as good as payment made to the Federation here. In the case of insurance companies premiums are realised by branches which are considered as good as having been paid at head offices. As long as Member-bodies are affiliated to the Federation, my humble submission is that delegation fees paid to them should be taken as paid to the Federation direct.

Lala Shri Ram : This is a business body, and I do not think we ought to go into legal questions. The underlying object, so far as I remember, was that everybody must pay Rs. 20 before he is entitled to vote or stand as a candidate. Perhaps because this is the first year, we have made a mistake, but as businessmen let us take the view of the House. Are we in a mood of give and take and shall we give them an opportunity to pay their fees or are we not and shall not give them that opportunity ? The rule is there, but let us overlook it. We should not go into the question of law, it is so difficult. I do not think our worthy President is capable of deciding between such giant lawyers as Mr. Khaitan on one side and such a fine student of business law as Mr. Kapadia. Let us not waste our time over this question.

President : Before I allow discussion, those delegates who have already paid their fees may receive their voting papers. As for others we will decide after the discussion.

Mr. M. B. Mehta : The question is unless we know the proper candidates we cannot use the voting papers. You must declare the candidates who are disqualified from standing.

President : I would like to issue voting papers to such delegates who have paid their fees, let them keep them......

Mr. K. C. Desai : I may vote for a person who is not qualified.

Rai Bahadur Shivrattan Mohotta spoke in Hindustani. He favoured Lala Shri Ram's proposal.

Mr. A. D. Shroff : Perhaps you will permit me to say a word on this controversial issue because both Mr. Mangaldas and myself were members of the Rule-making Committee. I think Lala Shri Ram has really thrown very good light on the issue by saying that the intention of the Federation, when it adopted this rule, was that every delegate must pay a fee of Rs. 20 before standing for election. I think that intention will not be disputed by Mr. Khaitan.

Mr. D. P. Khaitan : I do not, but as regards standing for election.

Mr. A. D. Shroff : If there is general agreement that the intention at the time of rule-making was that every delegate must pay a fee of Rs. 20, before standing for election I do not think my friend Mr. Kapadia or anybody else will press for the letter of the law and stand against the reasonable compromise.

Mr. J. J. Kapadia : Not in the least.

Mr. A. D. Shroff : If it is generally understood that the intention at the time of the rule-making was this, I do not think any of us will object to suspending the operation of this rule so far as this session is concerned. You will also please have it on record that this will not be treated as a precedent.

Mr. J. J. Kapadia : I feel bound to give a reply to Mr. Khaitan's contention, so that there may not be any misunderstanding about it. Mr. Khaitan contended that if the sum of Rs. 20 is not paid and the delegate remains absent, he has still a right to stand as a candidate for the Committee. My contention is that a delegate cannot stand as a candidate for the Committee unless there has been valid nomination, and no nomination is valid unless along with the nomination before commencement of the session a fee of Rs. 20 is remitted. That is my interpretation. (*Interruption from Mr. Khaitan*). We may agree to disagree. The office has always made it a point to write to Member-bodies to remit Rs. 80 as fees for the 4 delegates, and Member-bodies along with the nomination papers have to remit the fees. I submit that unless the fees are remitted, there is no valid nomination ; and until there is a valid nomination a person has no right to stand for the Committee. That is my interpretation of the rules.

Mr. A. L. Ojha : I would request you kindly to give me the voting papers as I have to go.

President : The legality of the question is involved. I made a request to the House, and an objection has been raised to it.

Mr. Mangaldas B. Mehta : I have carefully listened to the views expressed by Mr. Khaitan in front of me, and Mr. Kapadia on the other bench. But I regret I have to differ from both of them. My interpretation is this. A Member-body is entitled to appoint 4 delegates and these delegates are entitled to attend the meeting provided they pay the necessary delegation fees before the commencement of the proceedings. My submission is that a delegate does not cease to be a delegate, but is not entitled to exercise the privileges of a delegate unless before the commencement of the proceedings he pays in his fee, although the nomination is valid. There is a similar instance of a joint stock company. A shareholder has a right to attend the meeting, but the articles provide that he shall not exercise the right to vote and take part in the discussion if any sum due from him is not paid. The argument of Mr. Kapadia that there is no valid nomination unless the fee is paid falls to the ground. Rule 14 requires that before the commencement of the proceedings the delegation fee must be paid. My further submission is that the privileges of a delegate include not merely attending the meetings and voting on the resolutions, but also standing as a candidate for the Committee which is one of the important functions and privilges of a delegate, and that privilege is taken away if he fails to pay the fee before the commencement of the proceedings. I therefore submit that those delegates who have not paid the fees before the proceedings are not entitled to stand as candidates.

President: I find myself in difficulty this morning. I had a discussion on the matter with the Secretary and that was the reason for the request I made to you for support to my view. We are not a legal body. If I were to decide as between the arguments of four lawyers as Mr. Khaitan, Mr. Mangaldas Mehta, Mr. Shroff and Mr. Kapadia, I would be at sea. What we should do is, as I suggested in my opening remarks, to allow those, who have not paid, to pay the fee. Yesterday we were all very busy, and they might have thought they might pay this morning. After considering all these difficulties, I came to the House with my request and wanted your concurrence in my ruling. We are a commercial body, this mistake is not an intentional one, and I think the proper course for the House is to allow those delegates who have not paid the fees to pay them in today, and not to treat this as a precedent for the future. If you all agree unanimously I will adopt this procedure.

Mr. K. C. Desai: I am not voting because I feel it is not regular, and so I am not taking the voting paper.

President: Will you kindly receive your voting papers, and will those delegates who have not yet paid in their fee pay it now?

Voting papers were then distributed.

Mr. K. C. Desai : My association is not getting a voting paper in view of the fact that it considers the election is not according to the rules.

President : I may say for the information of members that Dr. N. N. Law withdraws his candidature from the election.

The election proceeded.

A member wanted to know whether the Committee have appointed any scrutineers and if so who they were.

President: The Committee have appointed Messrs. J. K. Mehta and Sen Gupta to be the scrutineers.

President : I call upon Mr. Manu Subedar to move the Resolution relating to Indians Abroad.

Mr. Manu Subedar (Indian Merchants' Chamber, Bombay) : Sir, I move—

INDIANS ABROAD

This Federation views with grave concern the policy of the British Colonial administration in resorting to discriminatory legislation affecting the status, rights and privileges of Indians as British subjects in the Colonies and particularly in South Africa, Kenya, Tanganyka, Uganda and Zanzibar and urges the Government of India to take firm and determined action to maintain and uphold the status, rights and privileges of Indians in these Colonies and to secure for them, in all political and economic spheres, a position of equality with the other British subjects.

I want to tell this House that if I am to speak on this subject today, it is entirely due to the strong President in the Chair who insisted that I must come and speak and I have come in obedience to his command. I believe the Committee who have framed this resolution must be optimists. They must be very great optimists if they think that there is any use in making any appeal to the British Goverment and that this government will ever restore you or will ever secure you any of the concessions of the kind you are asking for.

There is no subject which creates such bad feeling in the mind of an Indian as the question of Indians abroad. Those of you who have been delegates to this body for many years must be familiar with the fact that Sir Purshotamdas Thakurdas who embodies in himself great moderation on all subjects, usually moves this resolution because this is the only subject on which he can wax eloquent, and not only very eloquent but he can go to any extremes, and indeed it is impossible to speak with moderation on a subject of this type. Ever since we were small children, we have heard the name of South Africa : we have heard of the civil disobedience movement started by Mahatma Gandhi there in the first instance. The feelings of Indians in regard to this are feelings which cannot be described. I shall not trouble you with the details of the disabilities of our countrymen in various parts of the British Empire, but I shall draw attention to a very valuable document which has been drawn up by Dr. Natarajan on this subject which any of you who are interested in the matter would be able to make use of.

With regard to South Africa a conservative like Sir Raza Ali who returned to this country recently—and nobody would accuse Sir Raza Ali of being even a moderate in politics in this country—but even such a conservative after he had been in office was compelled by what he had seen over and over again during his period of office to declare that not only were the difficulties of Indians considerable but that they were actually increasing. It is known that the Government of India have recently thought fit, behind the back of the legislature and behind the back of the commercial community here, to make a trade agreement which they pretend is provisional, but which, like all other trade agreements, may become perpetual. Then you know the situation as regards Kenya. In Kenya a law is even now being concocted—and my friend Seth Govind Das whom I see here will tell you something more about it—by the government there, so that the Indians who have built up Kenya from a wilderness into a flourishing country must not own lands—they will be excluded from the ownership of the more desirable lands. I know the case of Sir Shapurji Billimoria, a well known auditor of this country who, when he went there, could not put up in a hotel, could not travel first-class and God knows what other indignities were heaped upon him: but he returned promptly from the business mission on which he had gone—not with a view to settle there but to investigate the affairs of a company which had gone bad. In South Africa the disabilities of the Indians are increasing. Recently I have had a representation made to me from the Muttra Traders Association saying that Indian medicines which were going to South Africa all these years were not allowed to go there now. It was made a term of the license for selling chemicals and medicines that Indian medicines should not be sold. In other words, a flourishing trade and a commodity of great use to the local residents there, namely, cheap medicines, was shut out all because our government is entirely powerless. But is it our government? The whole crux of the question on this point is this: so long as we are not free in our own country, so long as we have no self-respect in our own land, so long as we count for nothing in this place, how can we expect to count for anything abroad ? Every Indian who has been abroad must have seen the difference with which the eyes of the foreigner look at us: we are slaves in our country : we are three hundred millions who are ruled by a 100,000 Europeans : it is indeed an inexplicable phenomenon ; and so long as that position holds we cannot commend respect from any one. I may mention for the benefit of this meeting that the best method of teaching patriotism to a man appears to be to send him out of this country even for a month or two. Men from all parts of India : I have seen Khan Bahadurs and Knights and loyalists—men to whom the mention of freedom and independence was a red flag—I have seen such men go abroad for a month or two and return and privately and secretly tell me "There is something in what you people have been saying: but in my position of a Knight and titleholder I cannot very well go and say this in public." In any case the final cure for all these things will be in our own hands. What can you expect from this government ? I will tell you during the last session of the Assembly there have been at least two hundred to three hundred questions dealing with the position of Indians abroad in various parts of the British Empire. What is the usual reply ? "The Government are considering the matter. The Government are in communication with the Colonial Office : they are in communication with so and so. The Hon'ble Member has not got the information correctly." And so on. Generally the Hon. Members' information is wrong and Government's information is always right. It is nothing but a series of evasions and equivocations. If the members of this Government were honest to themselves and if they were wanting to do the right thing and not insult the intelligence of the Indians in this country, they should frankly say that they are powerless. They should say that as against the Colonical Office the Government of India is a subordinate administration and counts for nothing. A communication from the Government of India leads to nothing in the Colonial Office. They should say that in the self-governing dominions the position of Indians is and will continue to be very low and so low that the Government of India is helpless. Instead of making an honest confession of this kind, they give brilliant and clever replies, but replies which evade the main issue, namely, are this Government doing anything and are they capable of doing anything and if so what ? The framers of this resolution framed by the Committee appear to be super-optimists. They expect that something will be done by appealing to this Government. They expect that this Government is capable of doing something. But I will ask them only one question. Have you considered that your disabilities are not being reduced in this world but they are being increased? Take the case of Shanghai. There our men who have been earning their livelihood have been killed. We asked if they got any compensation? No. There was no attempt to get compensation for them or their families. Then there are the injured. No compensation for them also. Go down to Indo-China, Java and Singapore and you find the same tale. Ask yourself what is the position of the Chetty bankers who are working in that country and doing very useful work. Various decrees have been passed by which their loans, their mortgages and the moneys which they have advanced have become frozen. There is also the apprehension that nothing will come out of the moneys which our people have sent abroad in other colonies. Take the position of Indian labour. It is in a humiliating condition. Indian capital is liable to be defrauded and confiscated and the latest example is Zanzibar. Now, on this question so much has been spoken and written that it would be unnecessary for me to dilate seriously on the problem and to keep you from the excellent lunch which the Vice-President is providing but I will say this, that fundamentally it is the Indian capital and Indian labour which is being seriously mulcted and insulted and expropriated and this foreign Government has failed to do anything and will never do anything. Now, the one thing which public opinion has been asking, and I am sorry to see that the Committee have not put in anything on that in the Resolution, is whether we can retaliate. If the sword is kept rattling, then your enemy will be careful about what you do. If only our affairs had been properly tackled by this Government, I am sure things would not have come to this pass and India would have made its voice felt in these colonies directly or indirectly. During the last ten years, various opportunities did occur when the condition of our countrymen could have been made better if the question of retaliation had been seriously discussed. This Government is a subordinate branch of the British Government and will not do anything in the nature of retaliation but I repeat this demand and Indian commercial opinion will go on demanding this, that the lot of our countrymen in these foreign countries and especially in the British colonies must be improved and that if it is not improved quickly we shall have nothing to do with what is called the British Empire.

Now, Sir, there is one more point which I should like to touch and that is this. 35 years ago the question of imperial preference was mooted and 35 years ago our leaders of that time both moderates and extremists condemned it. There has not been a single voice in the last 30 years in our public life in which an Indian has openly defended Imperial preference. What is the reason for that ? The reason is that no self-respecting Indian would have any kind of economic relationship with countries in which the elementary human rights are denied to Indians. The Indians do not go there to attack the prosperity of those colonies but as founders of those colonies, Indians did the most valuable contribution to the prosperity of those colonies. When Government have failed to secure imperial preference directly they are trying to secure imperial preference by the side door and the form which it has taken is the concluding of trade treaties with some of these colonies and the first of them is the South African trade treaty. I warn the Government that commercial opinion in this country is solid on this subject. You have tried the game of divide and rule on many points but you will never be able to divide Indian public opinion on this point, for every child in this country knows that the position of Indians in the British Empire is unsatisfactory and that it remains unsatisfactory. The disabilities are growing and I want to make this appeal, that the Federation should adopt a little more fighting attitude than it has done in the past. I commend this Resolution for the acceptance of the Federation.

Mr. Hoshang N. E. Dinshaw (Buyers and Shippers Chamber, Karachi) :

In seconding this Resolution, I propose to be very brief. Conditions are deteriorating very rapidly in South Africa where actually the rights that have been possessed have been sought to be taken away from us. A movement is on foot in Transvaal and Orange Free State to take away the franchise that is enjoyed by the Indians, although they were the men responsible for bringing the colonies to the present state of prosperity. Affairs are equally bad in Fiji and British Guiana. The remedy, as suggested by Mr. Manu Subedar, is retaliation. We are not in a position to resort to militant retaliation as we should like to. Failing that the next plan is representation and negotiations for bettering the conditions under which our countrymen live. We are in a way responsible for the well being of the colonies. One of the methods of improving the condition of our countrymen is by the appointment of Agents General and that is a second line of defence which could be utilised to remove the disabilities under which Indians are living. I would suggest that the Conference should recommend to the Government the appointment of Agents General immediately in Fiji, British Guiana and Trinidad. You find the same deterioration there as in South Africa. I am afraid that if nothing is done by the Government of India to arrest the present state of affairs, Mr. Manu Subedar would be compelled to use much stronger language next year than he has used this year. Then there is another point. The appointment of Agents General should be made from public men and not from the official cadre. Sir Raza Ali is now being replaced by Mr. Rama Rau, an I.C.S. officer. I have not the pleasure of knowing Mr. Rama Rau and I am quite sure he is a desirable person. Still I think that men drawn from public life would be better unofficial ambassadors to represent India in the various countries where Indians have got their interests. This should be done with the least possible delay. With regard to further improving the conditions of Indians, I suggest that firm action should be taken and representations should be made by the India Office to the Colonial Office that unless something is done immediately we shall be compelled to resort to retaliation. The Colonial Office has been strangely enough the arbiter of the fate of Indians who have gone out and settled in those countries. Indians refuse to live under the British flag if they are to be treated as the Harijans of the Empire. They are condemned to this treatment simply because the tint of their skin is not white. This is an absolutely illogical and arbitrary standard for assessing a value of an individual by an irony of Fate, whilst these colonies receive with open hands cut-throats and men who run away from the laws of their Lands, provided they are white even Daggoes or the scum of the Balkan States, they deny the right of admission to Indians possessing a culture much superior to these men, whom they accord an open-hearted welcome. I want to know why the Indians are debarred from remaining in these colonies which they have built up with their own blood. Why should those rights be denied to them ? Why should they be treated as chattel and deprived of their votes ? They are not allowed to own any piece of land. This is all due to the fact that hitherto we have been too supine. We have not adopted a militant attitude. Retaliation can alone get what we want. This state of affairs has got to come to an end sooner or later. I think the Federatian would be perfectly justified in asking the Government of India to appoint Agents General in these various colonies and particularly in Fiji. Unless something is done there, our case will go by default and we will be made helots and slaves. We refuse to be treated as such. We want our rights on an equal footing with other citizens. With these words I second the Resolution.

The resolution was carried unanimously.

Lala Shri Ram (Delhi Factory Owners' Federation): Sir, I move:

ORGANISATION OF THE FEDERATION OFFICE

The meeting while fully conscious of and appreciative of the good work done by the Federation since its inception to promote the interests of Commerce and Industry now records its conviction that the time has come when the Federation should set itself to do more constructive work and be of greater service to the interests it represents, and to this end this meeting suggests that the office of the Federation be adequately equipped with suitable additional staff for the purpose of making a proper study of the numerous problems that call for the Federation's attention from time to time.

Modesty has never been my weakness and this time the most important Resolution on the Agenda has been entrusted to me to be moved and that is why I cannot be modest. This Resolution is more important than any other Resolution which has been moved or will be moved. You have asked me to move this Resolution at a time when everybody is impatient to go to the Maidens Hotel for his lunch. This has become a hardy annual. This Resolution which in plain words is going round with a beggar's bowl has been moved by me year after year and so I would request members not to lose patience with me but to hear what I have got to say in spite of the fact that this thing has been brought up year after year.

Sir, we have completed 11 years of our life. I think it is time that we took stock of our position and it is with this purpose that the Federation this time has brought a Resolution in a rather unusual form than it has been doing till now. The

Committee has proposed that while being fully conscious of and appreciative of the good work done by the Federation since its inception to promote the interests of Commerce and Industry—that is it has patted itself on its back—it now records its conviction that the time has come to do more constructive work. But honestly I feel that we have done nothing except passing Resolutions. The only good work that we have done is to arouse a little interest in our country amongst businessmen that was not existing before this Federation came into being and if there was any interest it was merely parochial or local. Sir, the world is moving fast and with it this country also. You have seen in the last year that those who were put in jails are now holding the reins of government and they are able to put others in jail. Sir, if we do not now realise the situation fully and do not in time take steps to guard our interests and to educate the public and put our case fully before those who are in power and who have got the power to make rules and laws, I think the business community in India is ruined. We will very soon have to realise that. I request every Member of this House to think more of the duty and less of rights as has been mentioned in the speech of Mr. Birla. I was having a talk with Mr. Setalvad yesterday as regards representation of insurance on our executive committee and it gave me real pleasure when he without a moment's hesitation said that he did not want to force himself on the committee and that he would like to make room for anybody else considered best fitted for the office. That must be the spirit in which we should all work. Among the business community the motto should be to serve others. In the same way we have got to make sacrifices of money. We call ourselves business community, or India's representatives of the business community. We say that our interests in this country are far larger than the interests of others in India. But what a sorry figure we are cutting here year after year. We have got to beg a few members of the committee to subscribe a few thousands of rupees. That is how we are running this Federation. What after all running of the Federation means? We have got a very small office with a Secretary and a few clerks and chaprasis. That is all we are doing. We meet here once a year, we make a few speeches and then pass certain Resolutions. I think the time has come when we should organise the office on a better basis. Yesterday we passed a Resolution urging industrial planning and industrial research. On the one hand we say that this Government will not do anything for the industrial advancement of this country, on the other hand we go on asking the Government to do this, that and the other. Is it not right, is it not fair that we should take upon ourselves such lines of work in which Government do not stand in our way? Why should we go on asking the Government for small things? The reason why we are approaching the Government to take steps towards industrial research is that the moneyed classes do not like to part with their money, even a fraction of it. I submit that the moneyed classes have to change their attitude. We will have to part with a portion of our money in order to make this Federation a really strong body. In the Resolution mention is made only of a suitable additional staff. I think we have got to have not only the requisite staff but also a laboratory and other things. In this connection I am glad to say that our benefactor Mr. Birla has very kindly donated—it would be ungrateful for me to say it is small—a sum of Rs. 2,000 for a library. I am perfectly certain that with this small beginning that he has made, he won't mind adding a few zeros more to this figure. If we can depend for our library upon the munificence of Mr. Birla, we must depend for our other requirements on others who are present here. It is time that the Federation office is able to spend something like a lakh of rupees a year on its staff and on reasearch work. Otherwise, I am afraid the time is not far off—it may be next year—when a person like myself will move for the winding up of this Federation. In contrast to the sorry figure we are cutting, let us look at what a handful of European businessmen in this country are doing. They have a highly equipped staff here. I believe they have got five capable representatives to look after their interests in the legislatures here and I am informed that when the Indian Companies Act was being discussed, the greatest amount of service was done by European representatives in the Assembly and not by our own men.

Mr. Kapadia : That is not quite correct.

Lala Shri Ram : I am glad to know that my statement is not correct. But I know that on our side there was not regular staff of paid people who were there all the time day in and day out to help the representatives of Indian business community. Of course a few of our Members did honorary work in every possible way. There were friends like Mr. Kapadia in Bombay who prepared a very intelligent criticism of the Bill. In Simla, I hear there were a number of capable lawyers brought by the

European Group. After all, the Europeans form a very small fraction of the business community in India. We must remember that one gets what one deserves. If we will not sacrifice a little of our income, it will not be possible for us to hold our own in the business field. Today Bills after Bills are being passed in our provincial legislatures, whether in the matter of sugar syndicate or in the matter of sugar control or in the matter of money legislation or something else. The same thing is going to happen in the Centre, if not this year, at most two or three years hence. There are labour legislations, there will be all sorts of other legislations. Even today we have got two Bills, very important Bills, the Motor Vehicles Bill and the Income-Tax Bill, both of which affect very seriously the Indian business community. We have not proper organisation to tackle these legislative measures. We cannot expect one single Secretary to do a giant's work. It is necessary that we must have adequate staff. We must depute one or two Members of our staff to make it their business to study every subject, be it railways, or insurance or income-tax, military finance or anything else. It will then be possible for them to render some assistance to the Members of the legislature when a particular Bill comes up before the legislature. A representative of this Committee or the Secretary goes there and what happens is that whatever we say is taken as coming from interested source and everything is taken with the proverbial grain of salt. I think it is time that we realised our responsibilities and provided the required money for some real work which will make the Federation really proud of its existence. In this connection, I have great pleasure to say that when I put this question to my friend Mr. Singhania of Cawnpore, he very generously promised to donate Rs. 250 a month for a period of five years (*Applause*), to help us in our object. With this handsome donation in my pocket, I turned to my friend Mr. Birla and he very generously promised a donation of a like amount for a like period of five years. I then requested our new Member Diwan Bahadur Ratnasabhapathi Mudaliar to help us and he also donated Rs. 250 a month for five years. I am also assured by my friend Mr. Singhania that our new Member from Behar, Mr. Gurusharan Lal would pay a similar amount for a similar period. I have no doubt that although in the list I have mentioned Bombay's name is absent—Bombay has always been the most generous province—I have no doubt that Bombay also will subscribe liberally towards this end. I have got some names in my mind and I am sure that I have got only to approach when they will donate generously. I think we must get at least 10 or 15 members who will be prepared to pay Rs. 250 each per month for five years so that we can give some sort of security of tenure for the staff we are going to appoint. Even if we start Economics M.A.'s at Rs. 150 a month—for the people of that class, we cannot pay less, we can get good men. We will really have proved the usefulness of the Federation. It will also again be possible for us to get money from other people. I only wish that the time will not come when we may have to say, "let us reconsider our whole position and better wind up".

I have one more thing to say in this connection. Our work is now appreciated in quarters where it was not done before. For the first time, a representative of the Central Bank has been allowed to become a member of our Committee. I have no doubt that Mr. N. L. Puri will be elected and that he will be a tower of strength to us. I again went with a beggars' bowl, not exactly for money, but for strengthening our personnel, as I said yesterday. We were deficient not only in money but in personnel also. I went to Sir Saklatwala who is the head of the big Tata business house in this country. I begged him that it was high time that the Tatas took some interest in our Federation and helped us generously with men and money. He generously agreed that Mr. Dalal could become a member of our Committee. He is a very great acquisition to our Committee. He is far above average and we will have the biggest business house in the country represented on the Committee. I cannot now make individual appeals, but I would request each one of those who are present here, not necessarily to pay Rs. 250 per month for five years, let them pay whatever they can and when they go back let them try to get from others what they can and make this body really such a body of which we can rightly be proud. With these words, I commend the Resolution for your acceptance.

Lala Padampat Singhania (Merchants Chamber of U.P.) : This Resolution has been so ably moved by Lala Shri Ram that I feel there are few points left for me to add. The object of bringing this Resolution before the House is that we should send the voice of the Federation to the ears of those who have the greatest desire to help the nation. Some time ago, I intended to set apart some money for charity. I referred the matter to Mahatma Gandhi. Mahatmaji said, "I have done this kind of work and that kind of work in the country for giving scholarships to students and for many other causes. What I feel today is the necessity for having specialists in the country who will tell us what to do in the industrial field. It is a good thing for those who want to do charity to spend their money in such a way as will be helpful to the nation". I quite agree with Lala Shri Ram that by strengthening the Federation, we are not only doing a service to the commercial community but we will be doing a real service to the nation as a whole. Therefore, it is desirable that you should strengthen the office of the Federation so that it will be in a position to supply us the information which is required from time to time, and make it available to those who have a desire to start industries so that they can know what are the fields and whether they can start such industries. Besides this, there are various problems in the country which require research, and the Federation should strengthen itself by handling such day to day problems without trouble. This is the object of the Resolution. We are putting forward this Resolution so that those who have the greatest desire to help the nation can do so by subscribing liberally to strengthen the Federation.

The Resolution was adopted.

The Federation then adjourned for Lunch till 2-45 P.M.

SECOND DAY'S PROCEEDINGS

AFTERNOON SESSION

The Session re-assembled after Lunch at 2-45 P.M. The Hon'ble Sir Rahimtoola M. Chinoy was in the Chair.

President: Gentlemen, I have great pleasure in announcing that Mr. Harivallabhadas and Mr. Ghia together have promised to subscribe Rs. 250 a month for the Federation (*Applause*). My friend from Karachi Mr. Hoshang Dinshaw has promised Rs. 250 a month for five years (*Applause*). My friend from Bombay Mr. A. D. Shroff has promised Rs. 100 a month for five years. (*Applause*). I am very greatly pleased that my friend Mr. Varshnaie has promised Rs. 50 a month for five years (*Applause*). Mr. J. J. Kapadia has promised Rs. 50 a month for five years. (*Applause*).

Lala Gurusharan Lal (Bihar Chamber of Commeree): Sir, I beg to move the following resolution :—

SUGAR INDUSTRY

(*a*) This Federation is gratified to note the action taken by the Governments of U. P. and Bihar in appointing a Joint Committee to investigate the possibilities of the proper utilisation of molasses, particularly for the manufacture of power alcohol and reiterates its demand that legislation should be enacted at an early date by the Government of India for requiring compulsory admixture of power alcohol with petrol as in other countries so that the large quantity of alcohol manufactured from molasses might be profitably utilised.

(*b*) This Federation further urges the Governments to take proper measures for the utilisation of molasses in other directions as well and for that purpose to establish factories inasmuch as it is not feasible at present for private capital to undertake the same.

(*c*) This Federation strongly condemns the action taken by the Government of India, contrary to the express verdict of the Central Legislative Assembly and against the wishes of the industry, in ratifying the International Sugar Agreement, thereby prohibiting exports of Indian sugar from India by sea without securing any compensating advantage to the industry.

It was from a long time past that we had been voicing our feelings through the Indian Sugar Mills Association regarding the utilisation of molasses. It is a great pity indeed that this valuable by-product of the sugar industry, which with proper care and attention, can be turned into a potential source of fuel supply to the country is costing money even for being thrown away. In some localities it is considered as a menace to public health and the factory owners are at a loss to understand as to how to dispose of it. Certainly, it is gratifying to note that the Governments of the two provinces in which the sugar industry is mostly localised have taken this matter up, I believe, in right earnest.

This idea of turning molasses into power alcohol, Sir, is certainly not a new one. Several countries have been successful in demonstrating the profitable use of alcohol for internal combustion engines. More than twenty years back Germany and France had been to a certain extent using alcohol for agricultural engines. In 1915 when Russians overran Galicia and thus shut off all sources of petrol supply to Germany every motor car in the German Empire was adopted to the use of alcohol. Whichsoever country has taken up the work of utilisation of power alcohol, it has been successful in it. U. S. A., Union of South Africa, Australia and even England have been successful in demonstrating the use of power alcohol to the world. It has been stated in technical circles that even in ordinary petrol engines alcohol can be worked at 70 per cent efficiency as compared with petrol and if the design of the engines is slightly changed so as to give a little higher compression, the efficiency increases immensely. These are, however, the features to be brought forward by the Committee above mentioned and I hope the House is satisfied at the action taken by the Governments of Bihar and U.P.

As regards section (*b*) of the Resolution I can say that this idea too is not new and there seems no reason why, when in other countries industrial alcohol is being used largely for the preparation of varnishes, polish, celluloid and similar substances, oil cloths, leather cloths, etc., etc., for which substances we have large markets in India, we here should not take advantage of a practically valueless source of alcohol supply in the form of molasses. What is needed is a little bit of research work and a few demonstration factories started by the Government.

It is certainly irritating, Sir, to find that in the face of a unanimous opposition from the country the Government of

India has ratified the International Sugar Agreement prohibiting the export of Indian sugar by sea except to Burma. Certainly, Mr. Meak who meekly sacrificed the interests of the Indian sugar industry was no accredited representative of the Indian sugar industry and by ratifying the agreement entered into by him the Government of India has added insult to injury.and done a positive disservice to the sugar industry in India.

I commend this Resolution for the acceptance of the House.

Lala Shankar Lal (Indian Sugar Mills Association):

My friend Mr. Gurusharan Lal who has so ably moved the resolution, has left very little for me to say except to thank the governments of the U.P. and Bihar for appointing a Committee to go into this question of the utilisatiom of molasses for the manufacture of power alcohol, a question which is of vital importance to the sugar industry and to urge on Government to find other outlets for molasses. As long as this cheap by-product of the sugar industry is allowed to be wasted, not only is sugar industry not placed on a strictly economic basis, the producer not getting a margin of profit which would be otherwise available, and the consumer denied the benefit of reduced cost of manufacture but also the value of Government assistance and protection is to some extent minimised. The two major directions for the economical disposal of molasses now appear to lie in the production of power alcohol and the manufacture of rectified and denatured spirits. With the strong prohibitionist tendency apparent in the popular provincial Governments, let us ignore its use, which, however, is very small, for the manufacture of country spirit. Let me describe to you how in some countries alcohol from molasses is compulsorily required to be mixed with petrol with a view to find an outlet for molasses and to protect the home industry and its by-products. In Sweden alcohol is required to be mixed with petrol since the year 1934, in France since 1929, in Germany since 1930, in Italy since 1932, in Spain since 1934, in Czecho-Slovakia since 1932, in Poland since 1933, and in Brazil since 1931. In all these countries the need for the absorption of molasses and finding an economic outlet for it has been realised for a number of years, and the enforcement of a regulation for the admixture of alcohol with petrol has been established to be within the realm of practical possibility. No undue apprehensions need be entertained that any considerable displacement of petrol will result from that and that Government revenue from excise will decline, for there has been and there is taking place a great increase in the consumption of petrol in recent years owing to there being more motor vehicles on the road than before. It is true, if these suggestions were adopted, petrol producing or selling companies will not obtain all the benefit from the increase in consumption, but the cheapening of the cost of fuel by the admixture of alcohol with petrol will render possible and will result not only in an increase in motor traffic, but also in a larger consumption of motor fuel. I commend the resolution to your support.

Mr. Ramprasad Gupta (Bihar Chamber of Commerce):

Mr. President and Gentlemen,

Time there was when we were depending for our requirements totally on imported sugar. Things have moved fast since then and today the sugar industry has become a very important industry in the country—thanks to the policy of protection adopted by the Government. We are now able to compete with Java sugar in our own markets. But the child is still weak and requires proper care and nursing. It cannot yet stand on its own legs. Before it could gather enough strength, certain new problems have appeared which call for an early solution.

(*a*) The disposal of molasses presents a serious problem. Besides being a nuisance, they constitute a grave economic loss to the country. The need for the utilisation of the by-products in Indian industries, cannot be over-emphasized. It is the successful utilisation of the by-products that gave so brilliant a success to the industries in America and other European countries. In America the process has been carried to the highest pitch. In India the action taken by the U. P. and Bihar Government towards the successful utilisation of the molasses is really commendable. If alcohol can profitably be manufactured from molasses it will be a great gain to the industry. A gain to the industry, means also a gain to all those connected with it, directly or indirectly. The Government of India also must respond by making the admixture of petrol with alcohol compulsory. Besides this, the preparation of spirits and spirituous liquor should be made comparatively easier. Recently, possibilities for the utilisation of molasses in the making of roads have been pointed out. It has been pointed out recently that if the molasses is used in coating the Banks of the Canal it will serve the purpose of waterproof. In America, crushed cane is utilised in making soundproof partition walls. If Indian industries try to utilise the crushed cane in the same manner, it will go a great way in improving their status. It is upto the Government in India to explore further possibilities for the utilisation of molasses and other bye-products.

(*b*) Gentlemen, the establishment of Factories for these purposes also cannot be taken up by private capitalists and the state must come to their aid in view of the great importance of its association with the industry.

(*c*) The sugar industry today has been subjected to unjust penalisation. The imposition of an excise tax on sugar, for revenue purposes, cannot be defended. Revenue considerations should not have swayed with the Government in dealing with an infant industry. An excise tax on an industry is hardly compatible with the policy of protection. It is on the other hand quite an unmerited punishment on sugar industry. Hardly had we recovered from the shock of the excise tax, when another blow came in the shape of the ratification by the Government of India, of the International Sugar Agreement. The Sugar Agreement was brought about at a place where neither the people nor the industry were represented. It is an instance of the fact and shows how the Government of India acts on external pressure, unmindful of the country's interests. It is wholly to the detriment of the interests of India. The Central Legislative Assembly gave its verdict against its ratification, but the Government was deaf to the most considered opinion of the accredited representatives of the people. The industry has not yet reached a stage where it can do away with protection —far from bearing the burden of an exise duty and the prohibition of export. The Government, it is hoped, will not prove inexorable and take steps to place the industry on a sound footing, before it is too late; and thereby serve the higher interests of industry and Indian masses. With these words I support the resolution. The resolution was carried unanimously.

Lala Shri Ram (Delhi Factory Owners' Federation): The resolution which I have been asked to move reads as follows:

ARTIFICIAL SILK YARN

(*a*) This Federation views with concern the increasing imports of artificial silk yarn into the country as they serve not only to displace in use cloth, both mill and handloom, made

from Indian cotton but also to postpone indefinitely any serious attempt to produce artificial silk from indigenous raw materials; and it strongly urges the Government of India to take immediate steps to check such imports.

(*b*) This Federation further urges Government to encourage efforts to produce artificial silk from indigenous raw materials.

It is no doubt a fact that one of the crying needs of the country is industrialisation and more industrialisation. India has, however, industrialised herself to such an extent that she is now the eighth great industrial nation of the world. It is, however, necessary that future progress should not be ill-planned or be of such a nature as to harm existing industries in any manner. There should be some plan and a well-thought advancement in industries both on the part of industrialists and the Government of the country. India may be said in general to have become self-sufficient in regard to production in industries, such as Iron and Steel, Sugar, Matches, Cement, Jute and Cloth. Any further ill-thought out advance in these or allied industries are bound to bring in its wake dislocation in some manner or other to all concerned, be they primary producers, the industrialists, the Government or the public at large in the form of consumers. One such ill-advised enterprise that is getting to be established is the artificial silk weaving industry.

Recently a number of mills equipped with between 100 to 400 looms have been erected in the country or are on order for weaving artificial silk fabrics. During the last year alone I understand nearly 8,000 looms have been ordered by these mills. Since it is the imported yarn that is consumed in these mills the imports have naturally gone up from 17,628,884 lbs. in 1936-37 to 29,660,217 lbs. in the ten months ending January 1938. The large import of artificial silk piecegoods which has risen from Rs. 183 lakhs in 1934-35 to Rs. 238 lakhs in 1936-37 may no doubt have tempted some of the Indian industrialists. But the real decisive factor in starting these mills is the low duty on artificial silk yarn as compared to the duty on artificial silk piecegoods. In practice the duty on these yarns works out at 4½ pies for material to make a square yard of fabric as against a duty of 5 annas per square yard on imported fabrics, for one pound of yarn can be manufactured into eight yards of fabric. The local manufacturer of the fabric, therefore, is put in an overwhelmingly favoured position over the importers of the fabrics. In fact, while the fabric has to pay an import duty of 5 annas per square yard, yarn which pays three annas per pound and which can be woven into eight square yards of fabric escapes by far lightly as the incidence of tax on yarn is only 7 per cent of that on the fabrics imported.

The ordinary man might think that this state of affairs is all for the best, for it is only the Indian industrialist that makes money and the country is saved the drain of wealth that would have otherwise flowed out of the country by importing the same quantity of cloth. A little clear thinking, however, would show how erroneous this idea is from whatever point of view it is looked at and how ruinous this enterprise is to Indian interests. The cotton mill industry is the premier industry of the country. The Indian industry consumes 50 per cent. of the annual cotton production. It provides employment for nearly 420,000 workers and supports more than 2 million souls in all calculating on the basis of 5 dependents for every worker. The wage bill of the industry is well about Rs. 21 crores.

On account of the shiny nature of these artifical silk fabrics and also because of the fact that they are cheap, i. e., practically the same price as the cotton cloth, people would easily be tempted to go in for these fabrics and lessen their demand for cotton fabrics. The lessening of the demand would lead to restriction of cotton textile production and would lead to loss to industrialists and to unemployment on the part of the workers. So far as the cotton-growers are concerned there would be less demand for cotton due to restriction in the demand for cotton piece-goods and will thus lead to fall in the income of growers.

Nor is the consumer really benefited. All that glitters is not gold is an old adage. Equally true is the similar statement all that shines is not durable. People purchase these fabrics on account of its glitter or shine. But as these are flimsy, they last only for a short while unlike the cotton cloth and the unfortunate purchasers make a thoroughly bad bargain.

Nor does this industry help the government coffers. On the other hand Government are put to a loss. As previously stated the existing duties unduly favour the importers of yarn against the importers of cloth. In 1936-37 the import duty actually realised on artifical silk piecegoods was Rs. 173 lakhs.

For the ten months ending with January 1938 the receipts are only Rs. 142 lakhs and there is little likelihood of reaching the budgeted amount in two months. No doubt the import duty on yarns has increased. The duty realised has been growing from Rs. 16 lakhs in 1933-34 to Rs. 32 lakhs in 1936-37. Instead of the budgeted amount of Rs. 31 lakhs for 1937-38, even for the ten months ending January 1938 Rs. 57 lakhs have been realised. But the realisation from the duty on yarn can never keep pace with the loss of revenue that is arising and would arise even more in the near future on the imports of artifical silk piece-goods.

The Government have sooner or later to make good the loss in their revenues. The only thing they could do is either to raise the duty, belatedly though, on the imports of yarn or levy an excise duty on the local production as has been done in the case of similar contingency in regard to sugar. In either case this local industry would be hard hit and the industry will accuse the Government as the steel re-rolling mills are now doing ot having brought about their ruin. The cost of production of the industry would go up and it would be hard put to compete with the imported fabrics. It, therefore, behoves Government in order to safeguard all round dislocation and disaster to raise the duty, before the mischief is done, to such an extent as would not place premium on the importers of yarn and a discount on the importers of the fabrics.

Mr. D. P. Khaitan (Jute Dealers' Association):

Mr. President, I have great pleasure in seconding this Resolution which has been moved by my friend Lala Shri Ram. I believe, Sir, it is only a country like India that is forced to accept a situation like the one that has been created by the import of artificial silk yarn. For many years we have been agitating with the Government of India that, so far as artificial silk yarn is concerned, they do not even use our indigenous materials, but so far as cotton piecegoods or silk piecegoods are concerned, they use materials that are grown in this country. Added to that the wages that we pay to our workers, most of the money that is obtained by the sale of cotton piecegoods and real silk piecegoods—these go to the masses of the country. It is only a small portion of the prices that the consumer has to pay that goes into the pockets of the so-called bloated capitalists: the whole of the rest of the money goes into the pockets of the masses. The only argument that the Government of India has so far put forward is that the artificial silk piecegoods are the only luxury that the poor man can buy, but is it desirable that when the whole of the money goes into the pockets of the outside manufacturers, simply for the sake of a little luxury, this country should tolerate the export of the wealth of the country, which results from the purchase of the artificial silk yarn or artificial silk piecegoods. We in India have got the raw materials with which artificial silk yarn can be manufactured, and with proper investigation and research it should be quite easy to manufacture artificial silk yarn in our own country. So long as artificial silk yarn is allowed. to be imported into the country at the very low rate of import duty that is imposed on that commodity at the present moment, it should not be possible or it would not be possible for Indians to engage in the manufacture of artificial silk yarn. It is necessary to protect that industry in exactly the same manner as other industries are protected. There is another point of view that we might remember in this connection. We have got a large quantity of cotton to export, and without exporting all that cotton cannot be consumed. We have got to rely specially on Japan for the sale of our cotton, and our recent experience is that Japan is no longer either willing or able to buy that quantity of cotton which they used to in the past. In any event Japan has always used the purchase of cotton as a great lever against us for the purpose of concluding an agreement which is unfavourable to the economic interests of India. We have therefore got to find out some substitute for Japan for the sale of our cotton and whom can you think of except our own cotton industry? The more the cotton goods that our country will consume, the more will be the quantity of cotton that will be consumed by our industry, and the cotton growers will become more and more independent of Japan for the sale of their cotton. From all these points of view, I submit, Sir, that the Government of India should be very strongly urged, not simply by means of this resolution, but by subsequent endeavours also, so that artificial silk yarn industry may be protected for the purpose of bringing it into existence in this country and also for the purpose of protecting all the various interests in this country.

President: The resolution about artificial silk has been moved by Lala Shri Ram and seconded by Mr. Khaitan. It is now put to vote.

The resolution was passed unanimously.

I am further pleased to announce that Mr. D. P. Khaitan and Mr. J. J. Kapadia are each subscribing Rs. 100 a month for 5 years towards the scheme of Federation. Mr. H. G. Misra is subscribing Rs. 50 per month for 5 years.

As Rao Sahib Hayavadana Rao is leaving this evening for Mysore I would allow him to move his resolution No 18.

Rajacharita Visharada Rao Sahib C. Hayavadana Rao (Mysore Chamber of Commerce):

I have great pleasure in moving the Resolution set down on the Agenda in connection with Insurance Law in its application to Indian States. The Resolution runs as follows:—

INSURANCE LAW AND INDIAN STATES

"This Federation invites the attention of the Government of India to certain provisions of the Insurance Act wherein the Indian States are considered as foreign countries and requests Government to move such differentiation in the status of Indian States as distinct from British India from all such provisions".

In speaking on this Resolution I would, first of all, thank the Federation Executive for accepting a Resolution of this kind which, in fact, makes the Federation thoroughly representative in its character and also thoroughly just towards its constituents, that is, the units that go to make this Federated Chamber. The first principle, as I conceive it, of any Federation, political or commercial, is that the units should be considered equal. The framers of the American Federal Constitution were human enough to think in a human manner and draw up a human constitution, a constitution to be worked by human heads and hands. The first principle that was enunciated by them in the Federal Constitution—of which Hamilton was one of the greatest authors—was equality as between the combining units, justice as between units. Perfect equality leads not merely to unity of Government, but also unity of thought, which eventually enures to the benefit of the united units. That is the principle of action that underlies Federation. Unfortunately for us that principle has been forgotten in another Federation, with which are all acquainted. Of that Federation, I shall not speak overmuch because it is beside the subject before us today. But it is something very unique that this Federation of commercialists, traders and industrialists should have adopted the more human system of making the units that have combined together to form it perfectly equal. This is the *raison d'etre* for this resolution, if I understand it correctly. This resolution suggests that there are certain inequalities, certain discriminatory clauses in the last act of the Government of India concerning insurance in this country—that is, the Act of 1938—which requires close attention. This Act is not many months old, it is so recent indeed that copies are not yet available to the public. In this connection, it must be stated that there are quite a number of sections in that Act which are discriminatory in character but I will not weary you by taking you through them. Nor will I trouble you by quoting at length the sections. There are more than a dozen of them implicitly and explicitly discriminatory in character. There is one section, however, which refers to Indian India—that is the Indian States—explicitly to States. This Section 116 refers to two other sections 6 and 27, which refer particularly to exemptions that ought to be granted, but unfortunately discrimination having been made, it is sought to set it aside by a by-path, if not a side lane, by the grant of exemptions. Where is the necessity for exemptions of this kind? Is it necessary for us to retain the main clause? It is highly injudicious in a legislation of this character to make portions of India—wherein one-third of the population of India resides, and which territorially form more than one-third of the country—absolutely alien in character. Sections 1, 2, 6, 17, 19, 27, 54, 62 and 116—all these sections class as alien all Indian States. They are absolutely Indian in character both by territory and by population, and not alien, like foreign Germany, Japan, China and America, companies from all which countries are operating in India today. These Companies are not even British but absolutely non-British. This is the implicit meaning in the wording of the Section I have referred to. This is the *raison d'etre* of section 116 which provides for the grant of exemptions. You will all agree that that is a state of affairs which is not fair to Indian States. From our point of view, this discrimination is unjust, it hurts us and affects our sense of justice. It is an offence against the principle of unity that underlies the idea of Federation. There is really no need for enacting discrimination in one section and providing for exemptions in another. This is our first indictment. Companies started in Indian States should be able to operate in British India without let or hindrance. I want to declare these points so that this Federation may be aware of 'the conditions under which discrimination of this type may lead to worse things. My second point is that in a case of this nature it is not fair from a Federation point of view that you should make any distinction between the British Indian Provinces and the Indian States. I suggest for the consideration of this house that it should be condition precedent to legislation of this type that the cordial principles of unity and equality as between the Provinces and the States should be openly recognised. All the States and Provinces should be treated as units in the Federation. If you do not recognise the principle, the difficulty will be—that is the third point—you will be discriminated against in the States where you are operating. British Indian Companies operating in the States are greater in number than State Companies operating in British India. You in British India stand to lose a good deal more than we in the States are likely to. Therefore it is more advantageous to you to recognise the justice of the position put forward by us. It is unfortunate then when people talk of Federation they forget that unity should be based on equality of treatment. They talk of it with reservations; they talk of it simply for the sake of enunciating a proposition. This will not do, whether in the commercial or in the political sphere. I would put it like this. They are talking of Federation, but are talking of it in pre-federation terms. It is a great desideratum that when people talk of Federation, they must talk of it in a manner which will make it clear to all that it will be just to all combining units, that is, all those who agree to join the Federation. It is generally understood that the Englishman is not a logical person. I would not go so far as that, but I would say, where politics is concerned, it is not in his interest to be logical. Unfortunately we have got into the English habit of thinking. Often times when we say we are thinking of the whole country, we are only thinking of ourselves and not of the whole country—the States and the Provinces that make up India. It is only on this basis that we can explain the principle on which Indian State Companies are sought, in the British Indian Insurance Act, as *aliens* in their own land, and classed with Companies from Japan, China, Holland, etc. operating in India. Thus is trouble created over questions of this nature. Equality is the essence of the Federal ideal. If this single point is recognised the need for treating Companies with Indian State origin as *alien* Companies in British India would disappear and with it the provision for exemptions. Reciprocity must be based, if it is to operate advantageously to both sides on the principle of equality.

Mr. President, I must say it has given me great pleasure to move this Resolution before this House, because this House knows its mind very well, because it is composed of practical people who can understand mutuality and back it up. I have no doubt that this House will be pleased to adopt with one mind this Resolution.

Mr. Maganlal Bhikabhai Patel (Federation of Baroda State Mills and Industries) :

Mr. President and Members of the House,

I have the honour to second the resolution moved by my friend Rao Sahib C. Hayavadana Rao.

The resolution raises an issue of vital importance, for not only does it affect the future relations of a vast majority of 80 millions of people with British India but it also affects other sides. When we are all striving to unite all the diverse forces and when leaders are putting forth a plea of India as an united Nation this anomalous position of Companies incorporated in Native States against those in British India ought to be removed as early as possible. At present those Companies are labouring under many disadvantages. As is well known the Government of India have committed Himalayan blunders in the past and in my humble opinion the blunder they are committing in treating Native States as foreign units in regard to Insurance Bill is one of the many blunders for which the Central Government has almost become infamous. The so-called British statesmanship and diplomacy is responsible for the spread of the unhealthy idea that Native States are something separate and distinct from the rest of India. This conception has created unhealthy rivalry and hostile atmosphere between two sections with advantages to neither. India is and can only be one and not disunited whatever may be the differences in the internal administration.

The social and economic life of the Native States is the same as that of British India. Both these are inter-linked and cannot be separated.

What is more surprising, however, is that the treatment which is even accorded to United Kingdom has not been made available in the new Insurance Act to Indians residing in the Native States. In other words next to British India the United Kingdom enjoys a preference which is denied to the Native States. In my opinion the inhabitants of Native States have as much right to call India their Mother Country as anybody else and surely therefore, they have every claim to obtain better treatment from British India than what foreigners like the inhabitants of United Kingdom enjoy. It is for this body which is the real representative of Indian Commerce and Industry to expose the tactics of the British Government to divide Indians into as many compartments as possible and to remove the slur of untouchability in Indian Commerce by forcing the hands of the Government to amend the new Insurance legislation.

Sir, I need not go into the details of the various Sections of the Act which are handicapping the progress of the Companies incorporated in Indian States because I am confident that this House will surely see its way to remove the present disabilities. Moreover, business in Insurance in Native States is still in its infancy and requires a stimulus from a representative commercial body like this Federation. Insurers incorporated in Indian Native States cannot and do not compete with British Indian insurers, because a major portion of Insurance business is taken away by the foreign insurers and therefore they are obliged to look elsewhere for whatever little business they can get in their own sphere.

Besides, Indian States are interspersed all over India so much so that out of the two neighbouring places one may be British Indian and the other of an Indian State. Under the circumstances the distinctions that are laid down under the various provisions of the Act are very stringent. The various requirements of the Act that non-Indian insurers have to fulfil will present no difficulties to the foreign concerns who have been in business for a great number of years but insurers established in Native States who are of recent growth and are still struggling for existence will be greatly handicapped.

Section 7 of the Act relates to deposits by Insurance Companies. As a matter of fact insurers incorporated in Indian States will find it very difficult to deposit the necessary amount even in as many instalments as are open to British Indian and United Kingdom insurers as they have to pay similar deposits in their own places. This is an additional burden on them. It should have been possible to require them to pay a certain percentage of the risk that they actually undertake or to fix smaller deposits for them but if that could not be done there is no reason why they should be placed at such a great disadvantage even in comparison with the United Kingdom insurers.

Sections 11, 12, 13, 15 and 16 require several additional particulars and returns obviously with a view to exercise better control but I need not trouble you with the details because as already stated above I am confident that this distinction has no justification and must go—especially when people who speak the same language and think the same thought are concerned.

Section 116, however, empowers the Central Government to exempt any insurers constituted in Indian States from the provisions of Section 6 as to deposits (namely the deposits in full of the necessary amounts all at once, in case the insurer commences business after 27th January 1937) as also from the provisions of Section 27 (2) relating to the keeping of accounts in British India either wholly or in part. But that entails filing of individual applications and the relief in all cases may not be granted. Moreover no relief is available under this section to insurers who have commenced business before the 27th January 1937.

Under the circumstances I submit that the Government of India ought to remove the differentiation in the status of Indian States when it is advocating strongly the idea of Central Federal Government. It would be sheer injustice to turn Indian States insurers as foreign concerns when Indian States are to become component units of Federal India.

Before I conclude my speech I strongly appeal to the members of the House to pass this resolution unanimously to show to the world that India is one and indivisible in matters political, economical and commercial.

Mr. K. C. Desai: Sir, I am afraid the mover has taken the whole matter on to a higher plane. Are we to request the Government of India to make no discrimination against any companies whatever ? Are we to treat all companies established in Indian States which have got no insurance legislation of any kind in the same way as our Indian Companies and they should not be subjected to any of the clauses of this Act ?

Rao Saheb C. Hayavadana Rao: I can assure you that we do not require very much more than that there should be no discrimination against Indian States with legistation of this kind to their credit in their own territorial areas. Our position is that the treatment accorded to Indian States must be exactly the same as that accorded to British Indian units. We should not be *aliens* in our own land, even in a commercial sense.

Mr. Mangaldas Mehta : Do you agree to this proviso that if in an Indian State you promoted insurance law on the same lines as to deposit, registration, etc., etc. then there would be no difficulty in getting exemption from the Government of India.

Rao Sahib C. H. Rao : Absolutely.

Mr. Mangaldas Mehta : I will tell you the reason why. Foreign companies may promote subsidiaries in Indian States and get the status of Indian State companies; and therefore the Government of India is given this power so that they may not exempt Indian State companies if they were subsidiaries of a foreign company and may exempt those that are indigenous Indian State companies—that is the reason for enacting section 116 of the Insurance Act, 1938. Therefore, unless Federation comes into being (and insurance is a federal subject) it will not be possible for the central government to enact legislation which will affect insurance companies in Indian States. If the insurance law enacted in the Indian States is practically on the same lines as the law enacted under this Act, then I can assure you that all these companies will get exemption from the provisions of the Indian Insurance Act, 1938.

Mr. K. C. Desai : There are seven hundred States in India.

Rao Saheb C. Hayavadana Rao : So far as I am concerned, in the State from which I come (Mysore State), there is a law now on the anvil of the same kind and the Select Committee of the State Legislature is to sit very shortly to consider its provisions. It is all very well to say that there are 700 States and that therefore nothing can be done as all States have to be treated alike. My contention is that if you are going to retain this clause you will get an identical clause in our Act.

Mr. K. C. Desai: You have got worse clauses in your Bill!

Rao Saheb C. Hayavadana Rao : I will see to that. Here is a report of a meeting of the Indian Insurance Association held in Delhi not long ago, in which it is stated that Mysore is discriminating. This is a gross libel on Mysore. In our Bill there is not a single clause of discrimination against British Indian

Companies except to the extent that we have reproduced words taken from the British Indian Act. If you are going to retain your discriminatory sections, I am for a Robin or an Oliver.

Mr. K. C. Desai: There is some misunderstanding here. Mr. Hayavadana Rao is mistaken in saying that the Mysore Bill is exactly like the Act passed here. Sections 13, 15 etc. regarding filing reports say that Mysore Companies should file results of business of all India and not of British India; while the Mysore State Bill says that the British Indian Companies working there shall have to file returns for Mysore.

Rao Saheb C. Hayavadana Rao: This may be due to local reasons and to the mistake of companies operating now in the Mysore State which do not give returns today. They are not up to the mark and have to be roped in. Any State would require reasonable returns. With suitable explanations, I think in the Select Committee everything could be put right.

Mr. K. C. Desai: In the case of States like Mysore and Baroda, which are capable of legislating on reciprocal lines I believe there will be exemption clauses; but there are other States which even today require deposits of something like Rs. 50,000: I do not want to name those states: but some companies feel that Rs. 50,000 was not safe in the hands of that State. The resolution as drafted without any qualification should not go on the statute book of this federation. That is my only appeal.

Mr. Mangaldas Mehta: If the following proviso is acceptable to the Mover, the matter may be further considered—

> "Provided that such Indian States enact insurance law on the same lines as the British Indian Insurance Act and provided also that Indian State companies are not subsidiaries promoted by foreign companies."

Do you accept it?

Rao Sahib C. H. Rao: I think it may lead to further trouble: we cannot consider the proposed amendment without proper notice.

Mr. K. C. Desai: I agree that without proper consideration we cannot agree. The only thing is that when political federation comes, this Act will *ipso facto* be the same: then why do we want this resolution?

Mr. Sachin Bagchi : Mr. President, I feel very much honoured in being asked to support this Resolution, not merely because I am an Insurance man myself, although that is a sufficient reason why I should be inclined to raise my feeble voice in aid of this very pertinent resolution. There is yet anther reason, a wider and broader reason and it is, that I am an Indian first and foremost. During the last 20 years of political activities in this country the message that the Indian National Congress has instilled into every son of India is the message of India united and undivided. When, therefore, attempts are being made from every platform and every pulpit to knit India into a homogeneous unit, the new Act has driven a subtle wedge into the structure of a United India. The Indian States are not outside the geographical limits of India. Racially and linguistically the people of the Indian States are the same as the citizens of British India who are their immediate neighbours. Their economic and political interests are and have to be similar. It is, therefore, strange that our legislators forgot that the life insurance companies formed in the Indian States deserve to be treated by the Government of India in a more favourable light than companies established outside India. We the people of India refuse to admit that the people of the Indian States ars aliens. Discrimination in spheres of economic life will have inevitable repercussions on politics, and when we are thinking in terms of Federation at the centre we are certainly ill-advised to legislate in a manner that will help forming economic Ulsters in our country. It has to be remembered that in spite of differences in race, language and customs, Indians are now thinking in terms of India. This has been due to economic and political reasons. The spirit of the age takes shape from those ideologies. Caution is therefore absolutely essential when we legislate on economic problems so that such measures may not put the clock back and react adversely on the larger question of Indian nation-building. With these few words, Sir, I support this resolution.

Mr. A. C. Khosla : So far as I can see States insurance companies .are treated like foreign companies as they have their own laws: but if they open a branch in British India they will be treated like foreign companies. If there is one law throughout India then it may be clear; but when States have their own laws in their own States, they will have to be guided by British Indian rules if they come to British India and the rules applicable to foreign companies will apply to them. That is clear. How can we recommend this Resolution to the Government of India ? I think we will be going too far if we do so.

Mr. K. C. Desai: I would suggest that the words "with suitable safeguards" may be added at the end:

Chairman: Does the House give permission for these words to be added ?

The House assented to the addition of these words at the end.

Chairman: The question is that the following resolution, *as amended*, be adopted.

INSURANCE LAW AND INDIAN STATES

This Federation invites the attention of the Government of India to certain provisions of the Insurance Act wherein the Indian States are considered as foreign countries and requests Government to remove such differentiation in the status of Indian States as distinct from British India from all such provisions with suitable safeguards.

The Resolution (with the addition of the words 'with suitable safeguards' at the end) was carried unanimously.

Mr. B. N. Maitra (All India Soap Makers' Associaton) : Mr. President and gentlemen, I move—

UNIFORMITY IN EXCISE ADMINISTRATIONS

This Federation is of opinion that diversity of procedure in the administration of excise regulations in different provinces in respect of rates of excise duties leviable on spirits and spirituous preparations has resulted in restricting free internal movement of such preparations from one province to another and has acted as a handicap to the development of an indigenous pharmaceutical industry and of small industries utilising its products as raw materials and therefore urges Provincial Governments to introduce uniform regulations in their excise administrations.

The Resolution which I have just now moved is so simple and the demand is so legitimate that no speech is required to support it.

We are mainly concerned here, as you will find from the Resolution, with the uniformity in rate of duty on spirituous, medicinal and toilet preparations and not with beverages containing spirits.

It seems that the provincial governments are vying with one another in making stringent rules and regulations restricting the imports of spirituous preparations in their provinces. This policy is most suicidal and harmful to the growth of indigenous pharmaceutical industries.

While in the case of foreign medicines the importer has to pay duty once at the port of entry and no restriction is imposed for their entries in any province, the indigenous manufacturers have to face many undue restrictions. Another point is also to be noted, namely that the tariff duty on the imports of spirituous preparations is charged not on the invoice value but on the alcoholic contents only while the cost of the drug, packing material, etc. are left uncharged. In other words the foreign manufacturer has to pay duty only on a small percentage of the cost of finished products while the Indian manufacturer has not only to pay excise duty but also to pay import duty as high as 30 per cent. on many packing and other materials necessary for the marketing of the finished product.

If the rules are made for revenue purposes only and if the principle that duty shall follow consumption be adopted there cannot be any difficulty in adjusting this, as every manufacturer of a spirituous preparation has to obtain special license for the same. They have to keep proper and detailed accounts of the manufacture, spirit strengths of each and every preparation and each batch is tested by the excise authorities as to the correctness and they have to obtain special permit for exporting to other provinces.

The excise duty can be collected at the source of manufacture and distributed according to their consumption of the different provinces.

Gentlemen, as you are probably aware there are two classes of manufacturers of these preparations. One under bond and another under special license. In the case of former the manufacturer has to pay excise duty only on the finished products when taken out of the bond and to the credit of the province concerned. But the other class has to pay duty twice, once to the province of manufacturer when buying spirit and again to the province where the drugs are exported.

In many provinces not only there are different rates of duties one for the local manufacturer and higher for the other provinces, but there are stringent rules by which a dealer has to get special permit each time he wants to get a spirituous preparation.

As you know India principally consists of small dealers who do not like to go through all these troublesome procedure to get indigenous spirituous preparations and the effect is that he gets imported articles.

If the idea of the rules is to foster pharmaceutical industries in the province, I may say that India is a vast country with enormous resources and immense possibilities and there can develop in each province dozens of chemical and pharmaceutical factories without such restriction imposed on the entry of preparations of other provinces.

The chemical and pharmaceutical industry and also toilet preparations containing spirits in India is still in its infancy compared with other countries and we have to face organised competition by foreign firms having vast resources, and plenty of reserves. It is absolutely necessary, therefore, that rules and regulations should be made to prevent foreign competition and to foster growth of Indian industries and not to prevent one province of India to export to other provinces. India should not be divided into small compartments both industrially and politically.

It is hoped that so far as the excise difficulties are concerned the Government would find solution as a result of the excise conference held by Government of India in November last and decide for

(1) uniform rates of duties in all provinces and States;
(2) reciprocal arrangements for collection of duties at the source of supply and its subsequent payment to the authorities of the province or States in which the article is consumed;
(3) adoption of uniform normal strength of B. P. or recognised official preparations;
(4) unrestricted import and export of duty paid on spirituous medicinal and toilet preparations.

With these words I beg to move my resolution.

Mr. Maganlal Bhikabhai Patel (Federation of Baroda State Mills and Industries):

Mr. President and Gentlemen,

The unwarranted duty of seconding the resolution on Uniformity in Excise Administration moved by my friend Mr. B. N. Maitra has fallen upon me in the absence of Mr. B. D. Amin.

Mr. Maitra has dealt with the subject matter at a great length and has left very little for me to speak.

You all are aware that looking to the importance of the subject the question of removing the existing inter-provincial barriers of Trade requires serious consideration in the interest of the country as a whole.

Though the subject is out of my sphere I venture to support the resolution and place before the House for its acceptance.

President : Gentlemen, the Resolution on Uniformity in Excise Administrations has been duly proposed and seconded.

I put it to the vote of the House.

The Resolution was carried unanimously.

Mr. H. G. Misra (Merchants Chamber of U.P.) : Mr. President and Fellow Delegates, the resolution which has been entrusted to me and which I move reads as follows :

VEGETABLE GHEE

The Federation is of opinion that in the interests of the Indian agriculturist and with a view to develop the indigenous dairy industry, early legislation should be undertaken by the Central Government so as to regulate (*a*) the import of the vegetable or artificial ghee, and (*b*) the marketing of all such products with a view to preventing their possible admixture with genuine ghee produced from cow or buffalo milk.

Sir, the past rises before us like a pleasant dream when the subject of dairy products comes before us. It reminds us of the glorious days when this ancient land of ours was the object of admiration for the purity, excellence and abundance of our dairy products. It takes our minds back to the days when even gods found it an attractive proposition to come to the earth to partake of the blessings of our dairy products, products which produced such intellectual giants whose systems of philosophy are even today the wonder of the world. So great was the importance attached to ghee as an article of consumption for us that the saying "Rinam kritwa ghritam pibet"—Eat ghee even if you have to borrow for it—

was a common saying. For a population like ours which consists mainly of vegetarians—and happily today the cult of vegetarianism is spreading to the remotest parts of the world—ghee is an essential article of food and its importance cannot be over-emphasised. Judging the utility of this article from the point of view of religion, there is no religious ceremony from the cradle to the grave which can be performed without the use of ghee. Such being the importance of ghee in our daily life, it becomes a paramount social duty for every one of us to see that the purity of this article is preserved at all costs. The total production of ghee in India today is estimated at 230 lakhs of maunds per year, which works out to roughly ½ tola per head per day—a quantity which is hardly sufficient even for smelling, not to speak of eating ! This shortage of supply has affected us in two ways. Firstly, it has driven a very large percentage of our poor people to the use of oils of various kinds as a substitute for ghee, and secondly it has given rise to the evil practice of tallow and other objectionable things being mixed with ghee rendering it totally unfit for human consumption. In recent years the vegetable product known as artificial ghee has found its way in our market from abroad, and this has naturally led some of our enthusiastic industrialists to establish factories in various parts of the country for producing similar article; and today the product of this industry is being freely used for admixture with our ghee. It must be admitted that the advent of this vegetable ghee has checked the adulteration of tallow and other objectionable things to a very large extent. It has also increased the cultivation of groundnuts thereby helping the agriculturists to some extent. It has been found a harmless product for human consumption and there can be no objection to its sale as long as it is sold as a distinctly separate item from ghee. Nothing can, however, take the place of ghee as builder of body and mind of the nation and this Resolution has, as its object, the preservation of the purity of ghee without in any way affecting the sale of the vegetable product as a distinctly separate thing. The practice of adulteration has reached such a stage that a time is coming when unless the Government of India takes immediate steps it will be very difficult to find pure ghee and this article will become a thing of the past. Legislation somewhat on the lines of that existing in England where margarine and butter are sold side by side as distinctly separate items on their respective merits is what we want in India. Fortunately for us our present Viceroy, who is enthusiastically devoted to the cause of agriculture and dairy products is there and I feel sure that if only this House will give a unanimous verdict to this Resolution it will find a sympathetic support in His Excellency. Sir, one of the worst things that can happen to any country is the deterioration of its food products. Napoleon has said "thoughts rule the world" and it is the quality of food that we eat that builds thoughts. Our intellectual life, our physical well being and even our moral and social standards depend upon the quality of food that we eat. It is for some such psychological reason that our ancient Rishis put down the principle *yadrisham bhakshayate annm buddhir bhavati tadrishee.* 'As you eat, so becomes your intelligence'. The purity of food is the foundation upon which the superstructure of our national wealth, health and prosperity depend. Let us, therefore, see to it that nothing, however important, is allowed to undermine the foundation walls of our social, moral and religious superstructure. With these words, Sir, I commend the Resolution to the acceptance of the House.

Mr. D. C. Ghosh (Indian Tea Planters' Association): I have great pelasure in seconding the Resolution moved by Mr. Misra. This Resolution is very important in its bearings as it not only concerns the economic welfare of the main section of the country's population, I mean the agriculturist, but it also concerns the health and the physical well being of the whole nation. Ghee has been since ages one of the main items in the daily menu of an average Indian. Since the advent of the modern means of communication and the growth of large cities, inter-provincial trade in this important article has increased considerably and the comparatively high price which it fetches has prompted the traders to use all sorts of cheap adulterants to earn money out of the trade. This problem of the adulteration of ghee has been a very serious one and has defied solution. Though several substitutes are used to adulterate ghee, for example, fats, oils, seed-powders, etc., vegetable hydrogenated products known as vegetable ghee has been very widely and increasingly used in recent years for mixing up with ghee and selling the mixture in the market as genuine ghee. Not only is the public cheated daily by these unscrupulous traders and gets a largely diminished food value for its money but this nefarious practice has been a source of great economic loss also to the poor villager for whom dairying has been a great mainstay and has even stood in the way of the development of the dairy industry in the country on modern lines, for it is difficult to compete in the market with the adulterated ghee sold as genuine ghee. It is, Sir, with a view to invite the attention of the Government to this serious menace that the present Resolution has been brought up. I must, however, make it clear that we have got nothing to say against vegetable oil being sold to be used as such. I know that the manufacture of hydrogenated vegetable oils is a growing industry of the country and already about 3 or 4 large factories have been established in India, the latest addition being in Mysore. I am also aware that a large quantity of oil seeds, mainly groundnuts, are being used in this industry. But as I have already made it clear, the present Resolution has not been and could not have been sponsored against the vegetable product industry as such but against its use as an adulterant for ghee. The Resolution as it stands is divided into two parts. The regulation of the imports of vegetable product is of course in the interests of both the genuine ghee trade and the indigenous vegetable product industry and there can be no two opinions about the utility and necessity of such regulation. The second part which refers to the marketing of vegetable ghee includes within its scope both the imported and the indigenous product but the Resolution makes it clear that its marketing is to be regulated only with a view to prevent its being used for adulterating ghee. Perhaps you are aware, Sir, that a Bill is already pending before the U. P. Legislature which requires colourisation of all artificial ghee. There may be more than one opinion about the effect of this device on the vegetable ghee industry but this is one way and perhaps the easiest of dealing with the situation. It may be said that there are worse things than vegetable products which are used to adulterate ghee and why should a comparatively harmless thing as vegetable product be chosen for regulation ? The colourisation scheme referred to above covers most of the adulterants and other ways could also be found out which would prevent adulteration of ghee not only through the agency of vegetable product but also through most other things. It is for experts and the Government to think out the best way of dealing with the situation. The main idea in moving this Resolution is, however, only to prevent the great harm done to the health and the economic welfare of the nation by the use of the vegetable product as ghee and it is in this spirit that I commend the Resolution to the support of the House.

Sardar P. S. Sodhbans (Indian Chamber of Commerce, Lahore): I originally wanted to oppose this Resolution but after hearing my friend Mr. Ghosh I have decided to support it, with this proviso that the heading which has been given to the Resolution should be changed and some other heading should be given which would not be objectionable to the vegetable ghee industry, which has been started in the country. Of course I and every one who is an agriculturist and who feels for the advancement of agrilculture is against the adulteration of pure ghee with any other product, but it is desirable that we should invoke the local provincial autonomous Governments who are now competent to enforce the Adulteration Act and the Central Government cannot enforce this law in provinces. I only wish that the Central Government and the Provincial Governments should also be asked. With these words I support the Resolution.

Chairman: Gentlemen, do you give permission to amend this Resolution by adding the words "and Provincial Governments" also.

The permission to add the words "and Provincial Governments" after the words 'Central Government' was given by the House.

The following Resolution as amended was carried unanimously.

VEGETABLE GHEE

This Federation is of opinion that in the interests of the Indian agriculturist and with a view to develop the indigenous dairy industry, early legislation should be undertaken by the Central Government and Provincial Governments so as to regulate *(a)* the import of the vegetable hydrogenated product known as vegetable or artifical ghee, and *(b)* the marketing of all such products with a view to preventing their possible admixture with genuine ghee produced from cow or buffalo milk.

Diwan Bahadur C. S. Ratnasabapathy Mudaliar (Indian Chamber of Commerce, Coimbatore): Sir, I move:

AGRICULTURAL DEBT RELIEF MEASURES

This Federation, while appreciating the desire of the Provincial Governments to provide cheap credit to the agriculturists, must express its opinion that the rural indebtedness relief measures introduced by some of the Provincial Governments are not based on an adequate appreciation of their repercussions on rural finance and credit and may do more harm than good. The Federation assures the Governments that if proper facilities are offered to the indigenous bankers and moneylenders in rural areas for easy realisation of their dues, they will prove to be the best channel for rural credit.

Agriculture is the most important occupation of nearly 90 per cent. of the population of my province. About one-half of them are nearly agricultural labourers. The other half depend on agriculture as the main source of income. It is only the latter class that come within the scope of the Act. Even taking it for granted that they are not producers of the food-grains necessary for the millions, it cannot be denied that they have to depend upon other classes of people, during the course of the agricultural operations. The prosperity of the agriculturist depends mainly on the encouragement, help, financial or otherwise of the other classes. The most important thing is the maintenance of happy and cordial relations between them.

The debt of the agriculturist is increasing not because of any unconscionable rate of interest but because of the unbusinesslike habits and uneconomic nature of the holdings. The low level of prices that has been prevailing is greatly responsible for the deplorable condition of the agriculturist.

The distress in the main is not due to debts due to the creditors. It is due more to the heavy land tax which he has to pay in cash that deprives the landowner of about 30% of his net income. Even during the period of depression the Government continued to collect the land tax. In Deltaic districts and others containing wet lands, all the misery and hardship is due mainly to the debts borrowed to satisfy the relentless demands of the Government. The duty of any modern state is first to relax the unjustifiable burden of taxation. The Government must do their duty first before calling upon other classes to forego their legitimate share.

The stability and welfare of a state depend on the contentment, happiness and security of all classes which form the state. A state needs the producer, the trader, the artisan, the capitalist and other institutions which contribute to its prosperity. The ideal of every government now is to make the country self-sufficient. No state should get obsessed with the idea that only a particular class is essential and entitled to all the sympathy. Even if any class considered as responsible for the basic industry of the state, has to be encouraged and supported it must be done independently and with the means and remedies available to Government without affecting the interests of other classes injuriously. As pointed out by Mr. G. Constanzo "It is hardly necessary to recall that the present day economy is based on credit and, accordingly that whatever is likely to disturb the delicate mechanism by which savings are transformed into capital and as such flow into productive investments is to be firmly rejected." The banks, monylenders (agriculturist and non-agricultrist), pensioners and others who have saved a little capital by thrifty living, have been dealing with others according to the established laws and customs of the land. The Indian Contract Act, the Civil Procedure Code, The Usurious Loans Act and other enactments contain sufficient provisions enabling the courts to give relief to debtors in hard cases. The Courts have been exercising such powers in favour of debtors. The Government could have easily amended these Acts to give relief and rigorously to apply the provisions. But the Government wants to victimise people who have been generous to debtors, people who have allowed interest to fall in arrears, in accommodating debtors and the landlords who have been considerate to their tenants. It was not criminal or illegal to have been generous that they should be punished now under this Bill with the cancellation of all arrears of interest and rent.

The Act has assumed that every agriculturist rich or poor is entitled to relief irrespective of his past conduct. Another assumption is that every person coming within the definition of 'agriculturist' is a real agriculturist engaged in cultivating and raising the food of the country and that relief given to him helps the basic industry of agriculture. The third assumption is that any creditor, however fair or reasonable his conduct may have been and whatever may be his own position and circumstances, is not entitled to any sympathy. In the absence of any enquiry these assumptions without any basis are neither correct nor well-founded.

Among moneylenders there are various classes. Some are professional moneylenders. There are others who are agriculturists who lend to their needy neighbours. Then again there are pensioners and small agriculturists who have invested their small savings with their neighbours and may depend upon the interest for their very maintenance. No provision has been made for exempting such people from the operation of the Act. The effect of the Act will be devastating on such poor and helpless class of people.

The Act does not take into consideration the case of moneylenders who have taken deposits from others and with the borrowed capital have been carrying on their moneylending transactions. Under the same category come the Joint Stock Banks, which have not got 500 shareholders in their books. Before the Government introduced such legislation they should have first found out the particular class of agriculturists which is badly in need of relief. Debt relief legislation should have made distinctions between secured and unsecured loans between a small agriculturist and the rich absentee landlord, between an unwilling creditor and a debtor who cannot afford to pay in spite of his best intentions. Indiscriminate interference with contractual obligations will weaken the moral basis of society and one need not be surprised if the measure brings about a crisis in the credit system of the country. The number of Agriculturists to be adversely affected by the Act will be greater than those to be benefited by it.

The greatest defect of the Act is the absence of any provision for the scaling down of debts and facility for the payment of the scaled down debts. The profession of agriculture is not a paying one. The income is not even sufficient for the bare maintenance of the agriculturist. The land tax still remains in the same level and consumes a great share of his income. Under the circumstances how is the agriculturist going to pay the principal? The provision of some machinery for scaling down debts is an imperative necessity, and along with this if proper facilities are offered for indigenous bankers and moneylenders in rural areas for easy realisation of their dues they will prove to be the best channel for rural credit. This Act as it stands will not give any permanent relief and when disillusionment comes to the agriculturist—as it will at no distant date—he will clamour for more and more relief. Acts of this nature are sure to have their repercurssions on rural finance and credit and may do more harm than good. They will only prepare the road for the easy and early advent of conditions which have brought into existence the Totalitarian States in the West with their attendant horrors.

Mr. Hoshang N. E. Dinshaw: I have heard Mr. Mudaliar very carefully. His speech is a condemnation of the Debt Relief Act passed by the Madras Government. The proper forum to make any changes in this Act is the Madras Provincial Council. If Mr. Mudaliar referred to the subject generally, he would have been justified in bringing up this Resolution but he refers to the Madras Act particularly. I do not think we should be justified in passing this Resolution because we would put the Madras Government in the wrong box.

Mr. Padampat Singhania: Nothing is mentioned in the Resolution about Madras.

Mr. H. N. E. Dinshaw: The mover referred particularly to Madras.

Mr. Khosla: I want to know why the Madras Government should not be condemned.

Mr. Jamshed N. Mehta: I also share the opinion of my friend Mr. Dinshaw. This will give an impression outside that we are against relief to the agriculturists and we do not want to put Provincial Governments in an awkward position. The Federation would also be placed in an awkward position and it would give an impression to the outside world that we are against relief to the agriculturists. As a matter of fact, we, who are merchants and traders are part and parcel of the agriculturists and any relief given to them would naturally affect our prosperity also. There may be some provisions in the Madras Act which may be objectionable but we have not gone into details. I do not think it is advisable to propose this Resolution for the present. We ought to wait and see the working of the Act and not pass a wholesale Resolution like this, which would put the Federation in an awkward position.

Mr. P. S. Sodhbans: A similar Agricultural Debt Relief Bill has already been passed in the Punjab Legislative Council and the Act is in operation. There in the Punjab most of the sowcars have lost what they had. I do not want to say anything against the Bill, belonging as I do to the agricultural community but as a businessman I really feel that justice ought to have been done to the sowcars. No doubt the interest which they have been charging is very high and there is great need for relief to the agriculturists but we want to be fair to the sowcars also. Unfortunately I was not present when the committee adopted this Resolution. In order to be fair to all, I want that this Resolution requires some amendment.

Mr. A. D. Shroff: I fail to understand the point of order raised by Mr. Hoshang Dinshaw. Unfortunately there is a growing tendency on the part of provincial Governments to be a bit hasty in the adoption of relief measures. The Resolution as drafted proceeds cautiously and on general lines and sounds a note of warning that unless these measures are properly conceived, the structure of rural credit is likely to receive a shock which may result in more harm than good.

If the Federation passes this Resolution we will not be acting a day too early in warning the Provincial Governments to hasten slowly. I fail to understand the point of order raised and I ask you to rule it out.

Mr. N. L. Puri (Indian Chamber of Commerce, Calcutta): Reading the Resolution as it stands, we do not say that we are against the idea of giving relief to the agriculturist. It is expressly mentioned that we appreciate the efforts which have been made to provide cheap credit but then we are faced with the extinction of a very important business and banking class. If we are going to have such legislation, the agriculturist is being encouraged in a way not only to wipe off 900 crores of rupees, which has already become 1,800 crores of rupees by addition of interest etc. Knowing as we do the social habits and ways of the agriculturists, they cannot possibly do without borrowing, for the purpose of sowing their lands, for the purpose of purchasing cattle and other things and it will be absolutely necessary for them to go on borrowing like this but when they are encouraged to believe that it is no concern of theirs to pay the debts which they incurred, it is a very serious matter, having regard to the sanctity of contract and we should seriously consider whether we are going to allow the extinction of the indigenous banker. You know very well that the co-operative credit societies tried to help the agriculturist but they found themselves in a moribund condition. Shortly after they have done their part to a certain extent but have not been able to touch even the fringe of the huge indebtedness of the agriculturists. The co-operative societies have failed. On the other hand, the indigenous bankers' relations with the agriculturist were all very cordial up to about 20 or 25 years ago before these measures were thought of for killing the mahajans. It may be true that they are charging high rates of interest and nobody is prepared to support them in any usurious rates of interest that they charge, but at the same time you have to realize that from time immemorial they have been realizing only a very small part of their advances, and as such, it becomes immaterial for the moneylenders whether they charge 12 or 18 per cent, because they do not on an all-round basis manage to get five or even four per cent. Now the indigenous banker is anxious to retain his business, and it would be a calamity if we were to lose that link between him and the agriculturist and if the indigenous banker were no more. If the agriculturist comes to realize that he cannot now get anything from the indigenous banker as he used to, then what becomes the state of things? Sir, under the circumstances I think that this resolution as drafted is perfectly reasonable and should receive the support of the House in view of the fact that we are all in favour of helping the agriculturist as much as possible; but at the same time we do not want that the lot of the indigenous banker who has been in existence in this country for a long time should be such that he goes out of existence by such provisions as have been made.

Mr. Hoshang N. E. Dinshaw: Sir, I have thought very carefully over all that has been said on the floor of the House. This is an important question. While I quite admit that the sowcar class has got a very legitimate grievance over the measures that have been adopted, may I point out to them that they are partly responsible for the trouble they have brought on their heads. First and foremost the rate of interest charged is exorbitant. It is disgraceful and it has caused inhuman suffering to the agriculturist. Secondly, they have got no proper accounts. When the debtor pays an instalment of interest, he gets no receipt but that is debited to his account. You can never feel satisfied that any of these accounts outstanding are truly correct. (*Question*) What is the condition of the Indian cultivator? He is born in debt, he lives in debt, and when he goes to his grave he dies in debt. What is the future before him? There is no incentive to work and he simply exists. The measures now adopted are said to have been taken with a view to relieving him to some extent of his load of debt and giving him some relief which is very much needed and well-deserved. As for the plea that rural credit will disappear with the extinction of the sowcar class, I should be very sorry, but in a way I will not be at all sorry because they will be immediately replaced by co-operative societies. The co-operative societies should be linked with the land mortgage banks which will be financed by the Provincial Governments and they should be assisted through the medium of these land mortgage banks. These measures, I submit, are not a day too late while agricultural finance is calling for this kind of radical alteration or revision.

Mr. S. M. Basheer (Merchants Chamber of U. P):

Mr. President and Brother Delegates,

After the able exposition by the mover there is not very much for me to add. I will, therefore, content myself with a few brief remarks only.

This resolution, Sir, has to be approached realistically and in a spirit of cool and calculated judgment. It must not be thought for a moment that it is the intention of the Federation to oppose the policy of the Provincial Governments in their efforts to lighten the burden of debt which is grinding down our rural masses. If class for class there is any community which has specially to welcome an improvement of the economic stamina of our rural masses, it is, I think, the business class which would bless most the efforts of the Provincial Governments in relieving the burden of debt of the masses. But there are ways and ways of doing things. An effort to relieve the burden of debt of the masses must not mean an unfair scaling down of the debt liabilities or too drastic a regulation of the rate of interest.

I wonder, Sir, if many of us present here are aware of the large number of legislations which have been enacted all over India to deal with the problem of rural indebtedness. I hope I will be pardoned, Gentlemen, for thrusting upon you the recital of a formidable list of enactments in this connection. I intentionally want to take a little of your time even at the cost of a little annoyance to you, just to impress upon you the trend which legislation has taken in the different Provinces between the years 1933 and 1936. To the best of my knowledge, the following is that formidable list of enactments :—

The Madras Co-operative Land Mortgage Banks Act of 1934.
The Bengal Moneylenders' Act of 1933.
The Agriculturists' Loans (United Provinces) Amendment Act of 1934.
The Assam Moneylenders' Act of 1934.
The Central Provinces Debt Conciliation Act of 1933.
The Central Provinces Debt Conciliation (Amendment) Act of 1934.
The Usurious Loans (Central Provinces Amendment) Act of 1934.
The Central Provinces Moneylenders' Act of 1934.
The Madras Moneylenders' Act.
The Madras Debt Conciliation Act.
The Bombay Moneylenders' Act.
The Bengal Tenants Protection from Usury Act.
The United Provinces Reduction of Interest Act.
The United Provinces Encumbered Estates Act.
The Usurious Loans (United Provinces) Amendment Act.
The United Provinces Regualtion of Sales Act.

The United Provinces Temporary Regulation of Execution Act.
The Punjab Relief of Indebtedness Act.
The Central Provinces Moneylenders' Act of 1935.
The Usurious Loans (Central Provinces Amendment) Act of 1935.
The Central Provinces Reduction of Interest Act of 1935.
The Central Provinces Debtors' Relief Act.
The Usurious Loans (Central Provinces Amendment) Act.
The Central Provinces Reduction of Interest Act.
The Usurious Loans (N. W. F. P. Amendment) Act.

Sir, I do not pretend to have gone over each one of these enactments and I wonder if any attempt has been made even in official quarters to undertake a careful, comprehensive and comparative study of these legislations. The action taken, Sir, has been in three directions, firstly in compounding the outstanding liabilities, secondly in regulating the rates of interest and thirdly in preventing the creditors from recovering their dues by the ordinary process of law by measures like attachment of debtors' assets etc.

We are all aware that our rural debtors are in a desperate condition, we are all aware that on occasions the terms of contract must not be enforced which would defeat the elementary humane considerations. But I venture to suggest that with all the goodwill, the enactments of our Provincial Governments have done more evil than good, and have little helped the honest debtors. On the other hand these enactments have assisted considerably the dishonest debtors in the villages and what is more important of all, our so called debt legislation has frozen completely the only credit facilities that were available to the creditors.

There are hard-hearted creditors just as there are designing and dishonest debtors. I do not think that without these series of legislation, except the conciliation facilities, there is any relief which would not have been available to the debtors in the ordinary course of dealings. But the effect of the legislature intervening in the unfortunate manner has been that the credit structure of the rural community has nearly collapsed.

In 1934 when the Reserve Bank of India Act was passed, an obligation was placed on the Bank to make a report regarding the improvement of rural credit in India. The reports have been made and what do they say ? It has been expressed authoritatively by the Reserve Bank that the Indian cultivator must first of all be made creditworthy before any credit facilities may be extended to him. The Indian cultivator must have better standard of living, must be more literate, must have better ideas of thrift before the modern commercial banking may come to the assistance of this chronic debtor of India's countryside. The Reserve Bank may be correct in their view but one thing has been shown clearly by them, which is, that it is the moneylender, the Sowkar and the Bania of Indian villages who has for these years extended credit facilities to Indian cultivators whom the modern Banker would not touch with a pair of tongs.

In these circumstances, Sir, is it any wonder that the rates of moneylenders have sometime been usurious ? Is it any wonder that frequent rests of interest have been insisted upon ? In the 4 years of 1933 to 1936, the reform has been carried to an extent that there is today a definite danger of the credit structure of rural India crashing to the ground and this is what we do not want. Our plea, therefore, to the Provincial Governments, is "eradicate the abuses of the moneylending by all means but in doing so do not destroy the indigenous banking classes who have been the only friends of the rural debtors in their hour of need."

With these few words, I have great pleasure in seconding this resolution.

Mr. Kedarnath Agarwal (Marwadi Chamber of Commerce, Bombay) :

Mr. President and brother Delegates,

Sir, I rise to support the resolution which has been so ably moved by Diwan Bahadur C. S. Ratnasabapathy Mudaliar, and seconded by Mr. S. M. Bashir.

In regard to the debt relief measures which the Provincial Governments have brought forward in the various provinces, the attitude of the Federation, in my opinion, should be made clear beyond the possibility of misunderstanding. As is indicated in the resolution, we are not opposed to such measures if conceived and shaped on sound lines. Indeed, we of the mercantile community are in favour of any proper measures calculated to rehabilitate our peasantry or even bring a limited measure of relief in their present conditions; because we know that the prosperity of trade is bound up with the prosperity of the masses.

We also recognize the need for proper provision for affording reasonably cheap credit to the agriculturists and other poorer classes of the society. It must also be admitted that some moneylenders have been known to charge unreasonably high rates of interest and resort to other equally indefensible practices. All the same, as responsible men we are opposed to unsound and hasty measures having the appearance of a short-cut to economic freedom. Unfortunately, a few of the provisions contained in the Bills recently introduced in certain provinces are open to such criticism.

In my opinion such legislation can, properly speaking, have two principal purposes to achieve. Firstly, to afford protection to the poorer classes from the undesirable practices of certain moneylenders as well as to prevent accumulation of new financial burdens on their backs. Secondly, to reform and improve the agency of moneylenders with a view to making them fitter and more satisfactory instruments of service in their own sphere of activity. Unless account is taken of the prevalent conditions, there is a fear that neither of these objects may be really achieved. If you take away from the hands of the peasants the existing means of obtaining credit and provide no adequate substitute at all, then you are ignoring some of their most important needs. The peasant requires financial accommodation for purchasing seed, bullocks and agricultural implements as well as for paying rent and revenue. Besides, he has often to borrow to keep the wolf from the door. It may be said in reply "we want to wean the peasants from their habit of frequent borrowing and we are not worried, therefore, if he does not get as cheap credit as before." All that I can say to this kind of reasoning is that if adequate financial facilities will be absent for such ordinary needs of life, as I have just mentioned, the result will be to create widespread discontent and raise forces of disorder.

Some people seem to believe that co-operative banks and societies can provide the required facilities to the peasantry. How erroneous this view is will be at once realised if it is remembered that the number of existing co-operative banks is so small that they cannot aspire to cover the thousands of small towns and villages for years and years to come. In the near future at any rate, no credit agency can take the place of the village moneylender or the Sahukar.

Let us now consider the problem from the point of view of the much maligned moneylenders. Amongst them, as amongst other communities and professions, there are black sheep and white sheep. But it would be a serious error to look upon them as an unmixed evil. If moneylenders are as unreasonable as they are painted to be, how is it that these same people make advances at rates of interest much lower than those charged by co-operative banks, where there is security or reasonable expectation of the timely repayment of such advances? If our Provincial Governments can devise means whereby the realisation of their dues by indigenous bankers and moneylenders would be facilitated, then I can assure all concerned that the rates of interest would immediately fall to much lower levels. The proper attitude towards the question, therefore, should be not to eliminate, cripple or destroy the only universal credit agency in India but to regulate and reform its methods where necessary.

A Bill to regulate the money-lending business has recently been introduced in the Bombay Legislative Assembly wherein the expression "moneylender" has been defined as "one who makes advances in cash or in kind either exclusively or in common with any other business". This and other similar definitions have so greatly widened the scope of the bill that in the considered opinion of the Bombay business community, no merchant, no matter what may be the nature of his business, would be outside the purview of that bill. If its scope is not reasonably restricted, every businessman in my province will have to get himself registered, to declare the amount of capital invested in his business, to pay something like an additional graded income-tax on the turnover of his business to stop the practice of debiting all personal accounts with the amount of interest accruing at the end of the year and otherwise to submit to the numerous restrictions sought to be imposed by the Bill in question. Such restrictions will serve only one purpose, namely, to drive the village banker out of his business. From his point of view, I personally think, it would be quite a welcome development. I believe it will attract these enterprising individuals towards other forms of commercial and industrial activity. But considered from the wider point of view such a development would be nothing short of a calamity.

Gentlemen, the mercantile community fully appreciates the desire of the Congress and other popular ministries to give relief to the masses. It wishes to support their policies even at some sacrifice of its interests. For the high standard of administrative integrity and capacity which our provincial ministers have shown we have nothing but the highest admiration. But when we are convinced of the error in the method of execution of a policy, with the fundamental basis of which we are in accord, then I think it becomes our duty to point out the error and give warning about its consequences in the friendliest spirit possible. I hope the Provincial Governments will appreciate our criticism and fashion the debt relief measures at present under consideration in a manner acceptable to all concerned.

With these words, Sir, I gladly support the resolution before the House.

Mr. Mangaldas B. Mehta (Indian Insurance Companies Association): Sir, I rise to oppose this Resolution. It is admitted by us that the question of rural indebtedness is agitating the minds of all people and unless this indebtedness is reduced to a considerable extent, the standard of living of the agriculturist will not go up, with the result that his purchasing power will be reduced from day to day. In advanced countries like America and England, since the year 1900 Acts on exactly the same lines and with more stringent provisions have been put on the statute-book with a view to preventing moneylenders from charging exorbitant rates of interest, to compel them to keep regular accounts and to furnish accounts to debtors and prevent them from charging compound interest, and so forth. I therefore see no reason why similar Acts on the same lines which are now before the Bombay Legislative Assembly should not be put on the statute book. I can assure you that the provisions of this Bombay Bill are not more stringent than the provisions of the existing English Act of 1927. Therefore, if you want to reduce the indebtedness of the agriculturist and the labourer, if you want to increase their purchasing power so that they can purchase the products produced by the industrialist, it is absolutely necessary that some such restrictive measures should be passed by all provincial Governments. With these few words, I oppose the resolution.

Mr. Anand Ram Vyas (Malabar Chamber of Commerce):

Mr. President, Sir, I am sorry I was not able to hear the speech of the seconder of this resolution, partly due to the noise outside and partly I suppose to the bad acoustics of the House. I represent the same presidency as the mover of the resolution and I think I agree with some of the previous speakers that the resolution is premature. The discussion, if I remember correctly, started with the Madras Act. I think I have studied that Act very carefully not only as the representative of one of the Chambers in Southern India but also as a person engaged in the business of banking, and therefore when I say that the Act is no doubt drastic although it is probably at the same time necessary, you will agree that I am not speaking as an agriculturist, but as one who has studied this question carefully. Sir, this resolution seeks to include within its ambit not only Madras but all the provinces together. The resolution says:

> "the relief measures introduced by some of the Provincial Governments are not based on an adequate appreciation of their repercussions on rural finance and credit and may do more harm than good."

As far as I have been able to study the legislation that has been brought forward by Madras and the other provinces, I must say definitely that the Madras legislation is much more drastic than that of the other provinces and therefore on that ground alone we should not lump all these provinces together. If the idea is that we ought to oppose the Madras legislation by this resolution, this is not the proper place to do it. Some of the speakers who have supported the resolution have said that they are not opposed to the principle of according relief but they are opposed to the methods. May I submit with all humility that all methods have been tried for the last so many years and it is because they have failed that more drastic legislation has been brought forward. This is a point which has to be carefully considered before we pass a resolution of the kind which is before the House. I was rather amused to hear some of the speakers state that the result of the legislation which is on the anvil of some of the provincial Assemblies would be that the agriculturist will not be able to get his finance. I do not know therefore if you are more anxious about the agriculturist getting his finance or whether the moneylender would not be in a position to lend. These facts have to be taken into consideration before a responsible body like the Federation is to be stampeded into passing a resolution which may have serious repercussions.

Lala Shri Ram : I think, Sir, there is a lot of misunderstanding so far as this resolution is concerned. As far as I can see, this is a very harmless resolution and very carefully worded. There is nothing that condemns the Governments in the provinces at all. The resolution simply says that we appreciate the desire of the provincial Governments to provide cheap credit to the agriculturist. There is nothing wrong so far. We simply say that "the measures introduced by some of the Provincial Governments are not based on an adequate appreciation of their repercussions on rural finance and credit and may do more harm than good". The repercussions are, Sir, that in a province, for example, like the Punjab—where these measures were taken before any other province thought of it—even the big agriculturist cannot get credit today because the people who give credit are not certain whether it will be possible for them to realize their money or not. That is a fact. Now there are two points to be considered. Later on also the Resolution says :

> "The Federation assures the Governments that if proper facilities are offered to the indigenous bankers and moneylenders in rural areas for easy realisation of their dues they will prove to be the best channel for rural credit."

I would request you and my friends here to please keep a little patience. I have studied this question both outside and inside the Reserve Bank and I have some knowledge—not as much as that of some of my other friends—but I still claim to have some little knowledge of this question. There are two things. The agriculturist must have credit. There is no doubt that he needs credit. Nobody so far has said, and the different Royal Commissions that were appointed have never said, that credit is not necessary for the agriculturist. Now the difficulty in my opinion is that in many cases the credit-worthiness of the farmer is not very good. He cannot often produce more than he needs for himself and to pay for interest on his debt. Then such an important body as the Banking Enquiry Committee reported that 95 per cent. of the requirements of the farmer are met by the moneylender and not by the co-operative banks. Now the co-operative banks are run by the Governments and out of their revenues they spend a lot of money for running the Department of Co-operation. All the salaries of officers and establishment are paid out of revenues, and if you will study the history of the co-operative movement, barring one or two provinces, they are complete failures. Now if that is the situation, viz.

that the co-operative banks cannot meet the requirements of the farmer, is it not up to us, the business community representing those who have up to now served the agriculturist, to serve him even now ? We are here to see what the difficulties are both in the way of the agriculturist and the moneylender. After all, they must go together. If the co-operative bank cannot meet all the requirements of the agriculturist, then the only other alternative is the indigenous moneylender. If so, it is for us to provide that agency, to keep that agency alive, and to provide money to the agriculturist. Now that agency is the moneylender. But surely in course of time that agency has deteriorated into something which was not only not serving but was exploiting the agriculturist. We all realize it. It is admitted. So instead of ending that institution, what we have got to do is to mend it. There are people even in big towns who pay as low rate of interest as perhaps half per cent, and there are those who pay as much as fifteen per cent. There must be some reason for that, surely. One person gets credit at fifteen per cent from the Bank, but another with the same security can get it from the same bank at one per cent or two per cent. What is the reason ? The reason is the comparative credit-worthiness and the easy realization of money. Therefore, what this resolution asks is nothing more and nothing less than that the Government should provide to the moneylender the same facilities which the Government provides to the Co-operative Bank for the easy realisation of their dues. Sir, I was a member of the Central Areas Banking Enquiry Committee and from the average of twenty-one cases that were inquired into, the realized rate of interest was three per cent. That is on the records. Therefore, it is for us to see that it is in the interest of the agriculturist that it should be possible for him to get money easily and it should be possible for him to get money at a low rate of interest. That being so, the person who lends money should not have to wait for a number of years before he gets his money back ; and then there is no reason why with the facilities that the Reserve Bank are prepared to provide and the other banks are prepared to provide, it should not be possible for the agriculturist to get credit at a lower rate.

The Resolution, to my mind, is quite harmless and the only words to which objection can be taken are that "the rural indebtedness relief measures introduced by some of the Provincial Governments are not based on an adequate appreciation of their repercussions on rural finance and credit and may do more harm than good." I do not think that we are thereby definitely telling any provincial Government that they have done wrong. My friend there said that Madras has gone further than other provinces. We do not name any particular province but only mention that it was done by some provinces. We do not say that there should not be any regulations or Acts; what we say is that there should be a proper appreciation, and if easy realisation is provided for the moneylenders, it will be good for the agriculturists as well for the moneylender. I think this is a perfectly harmless resolution and we as representing the moneylenders simply ask for that protection which is given to the co-operative societies.

R. B. Shivrattan Mohatta spoke in Hindi.

Mr. D. P. Khaitan: Sir, in this Federation we have always passed Resolutions unanimously and this is the first time we see that a controversy has been evoked. In these circumstances, Sir, I suggest that this Resolution be dropped.

D. B. Mudaliar: Sir, this Resolution was put up by the Committee of the Federation, and if it is the wish of the Committee that I should withdraw this Resolution I have no hesitation in doing so.

The Resolution was, by leave of the House, withdrawn.

Lala Shri Ram: Sir, I am grateful to you for giving me an opportunity of conveying my heartfelt and grateful thanks to those of my friends here who in response to my appeal have very generously contributed to our funds. For ten years it was my dream that some day this Federation ought to be in a position to do better work, and it seems to me that the realisation of that dream has gone one step further today than in the last ten years. Sir, I had announced in the morning four donations from different friends. After that I have been fortunate enough in getting more donations; and I will tell you provincewise how these donations have come. The incoming President's province leads in subscribing. Mr. Hoshang Dinshaw has very kindly promised to give Rs. 250 a month for five years. Rao Bahadur Mohatta has also very kindly promised a similar amount and for a similar period. I hope the figure in Sindh will go up to Rs. 1,000 as soon as our next President goes back to his province. Then the proverbially generous province of Bombay comes in, with monthly contributions of Rs. 450—Rs. 250 by Seth Hariballabhdas and Mr. Ghia, Rs. 100 from Mr. A. D. Shroff, Rs. 50 from Mr. Kapadia and Rs. 50 from Dr. Venkatrao. All these are for five years. Then after Bombay comes U.P. I said in the morning that Seth Padampat Singhania had promised Rs. 250 a month but seeing that I was a bit unhappy he kindly volunteered to raise it to Rs. 300 a month. Mr. Mishra has promised Rs. 50 a month and Mr. Varshnaie has promised another Rs. 50 a month. Then comes this small province of Delhi where Seth G. D. Birla has promised Rs. 300 a month. Bengal and Delhi both claim Seth Birla and Mr. Khaitan is very angry with me because I have claimed that Mr. Birla belongs to Delhi. Then comes Bengal with Rs. 100 from Mr. Nopany, Rs. 100 from Mr. A. L. Ojha and Rs. 100 from Mr. Khaitan. Then comes Madras with Rs. 250 from Dewan Bahadur Mudaliar, and I have no doubt that when he goes back and meets the business community of his province, the figure will be very much bigger than what it is at the present moment.

Then in Bihar Mr. Gursharan Lall has promised Rs. 250. That brings the total to Rs. 2,450. This morning when I made the appeal I said that we should have money for at least 12 assistants. Though I am short of Rs. 550 I appeal to every one here, big or small, to contribute his mite. It does not matter what they give. Even small sums are more welcome to us than big ones. Big people can afford to pay but the gifts of their less fortunate brethren are much more welcome to us. Thus, while begging for this money, I will recite a couplet of Guru Nanak: *Apahee de so doodha barabar, bhaga ke dhe wo panee.*

I appeal to every one to see that before we conclude this session the amount is raised to Rs. 3,000. I have no doubt we will get a lakh of rupess, as I have in my mind.

Mr. M. C. Ghia (Indian Merchants' Chamber, Bombay): Mr. President and Fellow Delegates,

I have great pleasure in moving the following Resolution which is of vital importance to the industrial development of this country :—

IMPORT DUTY ON RAW MATERIALS

This Federation records its opinion that the prevailing high rates of import duties on numerous raw materials used in the manufacturing processes of several indigenous industries in the country impose a definite handicap on the proper development of those particular industries and urges Government to levy no duty on such of the imported raw materials as do not compete with indigenous ones.

The indifference of the Government to the Industrial development of the country is proverbial. It was more than fifty years ago that public men in India as well as representatives of the mercantile community clamoured for the policy on the part of the Government of India which would encourage and foster industrial enterprise in this country. As early as in 1880, the Famine Commission appointed by the Government of India opined that the absence of the diversity of industries was one of the principal causes of the recurring famines that took place in this country.

A peep into the economic history of this country will convince the meanest intelligence that the policy of the Government was not only not conducive to the growth of industry of this country but was actually calculated to hinder the progress of industrialisation. As an illustration, I will only point out the countervailing cotton excise duties imposed on all Indian made yarn of 20 s and upwards in 1894 and Indian made cotton cloth in 1896. I will also invite your attention to the extremely dangerous dictum laid down in 1910 by Lord Morley, the then Secretary of State for India, with regard to the industrial policy to be pursued by the Government of India. Lord Morley deprecated the attempt on the part of the Government of India to encourage Indian industrial enterprise, being true to his tradition of *laissez-faire.* The exchange and currency policy of Government was responsible for discouraging and damaging the industrial enterprise in this country.

Inspite of these numerous handicaps which not only retard the growth of industrialisation but present also difficulties in the way of starting fresh enterprises, it is extremely gratifying to observe that rapid strides have been made in recent years in the direction of industrialisation of this country. I will only mention a few cases. The cement industry, iron and steel industry, textile industry and not to mention the other small industries own their development to the vigorous non-official effort for which Government cannot take any credit.

It was after a good deal of agitation that the Government of India accepted the principle of discriminating protection. This policy of discriminating protection has its own limitations which I do not propose to discuss at present. This policy was meant to affect only imported manufactured products which competed with Indian manufactures. Protection can only be secured after satisfying certain rigorous conditions. Besides, the pious allegiance to Imperial Preference has to be taken into consideration. After crossing all these hurdles if there has been partial progress towards industrialisation of this country, it speaks volumes not only for its industrial potentialities but also for the capability of its industrialists.

This discriminating Protection as shown above has helped to a certain extent the development of Indian industries. The majority report of the Fiscal Commission, hedged though it is by many limitations and reservations, has something good to say regarding the import duty on raw materials and semi-manufactured materials used in the manufacture of goods in India. On page 52 of the Report they say:

> "Raw materials required for the Indian industries should ordinarily be admitted free of charge."

Further, on page 57 the Report lays dawn that:

> "Similar considerations apply to the cases of semi-manufactured articles which do not go straight into consumption but are used in the process of manufacture of any industry in India. Any taxation imposed on such articles reacts on the industries which use them and consequently will either injure those industries or will necessitate the imposition of some compensatory duty."

In spite of these observations of the Fiscal Commission the Government of India has remained largely lethargic to the legitimate claims for assistance of an industry either through higher customs duty or through free import of raw materials, that are necessary for the manufacture of the commodity.

A study of the Tariff schedule of the Government of India conclusively demonstrates that it is not framed with a view to assist the industrial expansion of India. On the other hand, two considerations seem to have been weighed the most in framing it ; firstly, attention has been paid to ensure that the British Trade in India is not hindered and that the likelihood of the British imports in this country being affected adversely is at its minimum ; secondly, consistent with the above object, care has been taken to see that the Central Government obtains the utmost revenue by way of customs duty. But the claims of Indian Industry are utterly overlooked.

A cursory perusal of Tariff schedule of the Government of India presents us a very contrary picture from the one which we would imagine after going through the Fiscal Commission Report, the recommendations of which are accepted by Government. The Tariff policy of the Government of India is, as pointed out before, based on Imperial interest. Duties on import of foreign manufactured goods are less while those on raw materials that are used in the manufacture of these finished products are more. [Bakelite Powder 25%, Bakelite Articles 10%. Disparity in Duty regarding Aluminum Circles (more duty) *v.* Aluminum Ware (less duty)]. For instance the import duty on manufactured Healds and Reeds is 10 per cent *ad valorem* whereas the import duty on raw materials such as Varnish, Reed Pitch, Heald yarn, Reed ribs, Reed staples and Reed paper are about 25 per cent *ad valorem.* This is what is quite contrary to the expressed opinion of the Fiscal Commission. In no other country the raw materials necessary for the manufacture of finished product are taxed. For instance, Japan and Lancashire which are dependent for raw cotton for the development of mill industry do not have any import duty on raw cotton imported from abroad. Only last year countries like Japan abolished the prevailing import duty on pig iron to assist their iron and steel industry as there arose a huge demand for pig iron for the purpose of manufacture of armaments.

If the raw materials necessary are imported free of duty India would be able not only to meet the whole of her demand but even to sell abroad at competitive rates. It is necessary here to draw your attention to the numerous anomalies in the Indian Tariff system. To a great extent India is self-sufficient so far as its requirements of raw materials are concerned. Yet, the few raw materials, such as those needed by the pharmaceutical industry and the shuttle industry for which we have to depend on the imports of raw drugs and wooden blocks, are subject to excessive import duties. (Raw drugs 25%, manufactured medicines, alcohol % contents of which are charged with duty without any duty on drug contents of the medicine.)

The Resolution does not advocate a general policy of absence of import duties on all raw materials. India being an agricultural country, such a policy would be highly detrimental to its industry and agriculture. What the Resolution aims at is to permit the free import of raw materials that are necessary in the manufacture of finished products and which do not compete with indigenous products.

Each nation, however advanced it be in the matters of manufacture has seen its way not only not to hinder the development of its industries which rely on foreign countries for raw materials by imposing an import duty on them but by removing all the hindrances from its way such as by the free import of raw materials etc.

We have before us cases where the import duties on raw materials used for the manufacture of goods are more than those on imported manufactured goods. If we take for instance the case of duties on pharmaceutical and chemical drugs, we find that duty on raw drugs necessary in these industries is about (25% duty + surcharge =) 30 per cent *ad valorem* while that on manufactured drugs it is much less. In the case of wooden blocks necessary for making shuttles required for the textile industry we have a similar sorry tale to tell. The total amount of shuttles imported in this country is of about Rs. 6 to 7 lacs. India does not possess wood that could be used in the preparation of wooden blocks for shuttles. It has to be imported from abroad. The duty on foreign shuttles imported in India is 10 per cent *ad valorem* while that on wood necessary for making blocks for shuttles is 25%, with the result that our shuttle industry in this country which can supply the needs of the country is in a tottering condition. If the import duty is removed and the wood necessary for making shuttles is allowed to enter free of duty in India, the Indian shuttle industry would develop and in the near future would be in a position to supply the entire needs of the Indian market.

I have no desire to dwell at length on other typical cases of industries which require raw materials for the manufacture of commodities and in absence of the raw materials being obtainable in this country have to pay higher import duties. (Bakelite powder 25%, bakelite articles 10%, Aluminium circles higher duty *v.* aluminium wares less duty). Silver, necessary for the silver thread industry has to pay a duty of 3 annas per ounce. Similar or much worse is the case of Spelter galvanised steel and copper rods for the manufacture of electric wires and cables. If these materials are permitted to be imported free of duty we shall have very soon very many small industries which will supply the needs of the country and also give employment to a number of people thus relieving to some extent the pressing problem of unemployment. Further, this growth of diversified industries will augment the wealth of the country and add to the per capita income of the people of this land.

Before I resume my seat let me clear one doubt which may be lurking in the minds of a few here. Though this policy of admitting free of duty raw materials necessary in the manufacture of finished products would cause certain loss of revenue to the Government, it would be a temporary one and would be in the near future counterbalanced by the increase in the purchasing power of the people and increased income-tax returns that would accrue as a result of increased and diversified development of industry. Hence the Government of India should have no fear of losing its revenue for a considerably long time.

I hope the Government will see its way to act up to this resolution and change its tariff schedule accordingly. The mercantile and industrial community will very much appreciate the step of the Government if it will adopt henceforword a more sympathetic attitude towards the growth of industries. Unless the State takes more generous and lively interest in our industries, they would not be able to make much progress despite enterprising capital, popular support, cheap, plentiful and efficient labour. I hope the Government will do something substantial for the industrial growth of this country. In the end let me hope the Government will remove the import duty on the import of raw materials used in the manufacturing processes of indigenous industries.

Mr. Haridas Lalji (Buyers and Shippers Chamber, Karachi), while seconding the Resolution urging Government to abolish import duty on raw materials remarked:

Numerous raw materials are used in the manufacturing processes of several indigenous industries of the country, and such materials are either indigenous or imported from foreign countries. In my opinion, duty on such articles should be so fixed as to develop indigenous sources as also the indigenous industries requiring such articles. It may be that in some cases duty on foreign raw material may require to be enhanced. To meet the object, it may also be necessary to restrict or stop altogether the exports of indigenous raw materials. I may not go into the details of such cases at this place, but would confine my remarks only to the subject matter of the Resolution, viz., abolition of duty on such raw materials required by our industries as are not competing with indigenous ones.

Our learned friend Mr. Ghia, the proposer of the Resolution, has very ably dealt with this matter in the note emphasising the vital needs of our industries in the matter of supply of raw materials not available at all or in sufficient quantities in India. In such cases—and there are numerous such cases—there is no doubt that the indigenous industries are suffering heavily on account of the incidence of import duty on foreign raw materials. The import duty acts as a certain handicap in the development of the indigenous industries. It constitutes a very discouraging factor in setting up of important industries which would do immense good to the consuming public as also to the industries of the country dependent upon such important industries. I would take the example of Petroleum Products. As you are aware, our country is importing a very huge quantity of refined petroleum products for industrial and other purposes from Burma, and other foreign countries. This trade in India is, as a matter of fact, a monopoly of gigantic non-Indian concerns who have combined among themselves to charge and maintain the highest rates, thus making huge profits out of their operations in this country. All the advanced countries of the world have taken necessary steps to set up Refineries in their countries for purpose of refining Crude Petroleum oil which they import in considerable quantities, with a view to save themselves the heavy charges of foreign refined petroleum products necessary for their industries, etc. I would cite the instance of England. She imports about 600 million gallons of petroleum oil, of which as much as about 500 million gallons is Crude Oil and only about 100 million gallons partly refined oils, etc. Similar is the case of France, Germany, Italy, Japan, Australia, etc. which import Crude Oil and refine same in their own countries for meeting their requirements. To encourage importation of Crude Oil and refine it, they give every facility to their nationals regarding import duty, establishment of refineries, etc. It is only in India that foreign interests dominate in this respect, with the result that in the existing circumstances and with the incidence of the import duty, it is not possible to set up Crude Oil

Refineries. India imports 450 million gallons of Petroleum products—all refined quality—of which half the quantity comes from Burma and the remaining half from other foreign countries. For this, India pays a very heavy price which goes to non-Indian concerns. This matter was fully considered by Tariff Board in the past.

It is noteworthy that Great Britain enjoys great advantage in the matter of exports of her refined oils to India, under the Ottawa Agreement. Duty on American Lubricating oils is Re. 0-2-6 per gallon, while on British refined is only Re. 0-0-6 per gallon. England has no Crude Oil of its own but brings it from outside and only refines in England, doing nothing but labour. If a proper enquiry is made, there would be found several such instances where preferential treatment under Ottawa Agreement has caused great economic loss to this country.

I would now again refer to the Tariff Board Report and would invite attention to the following important passage therein :

> "It might be possible to encourage the establishment of refineries in India by Rupee Companies, if the present import duty on crude oil of two annas six pies per gallon was retained, but was remitted in favour of genuine Rupee Company, subject of course to the usual conditions on which a bounty is granted and such other control as the Government may impose. No doubt if this business was undertaken by any company outside the big oil Trusts, attempts would be made by unfair competition to bring it to grief, but it should not be impossible for the Government to afford protection against such competition by varying the import and excise duties in force for the time being on refined products or in some other effective way."

I have mentioned only one instance, in which regard the recommendations of the Tariff Board have been shelved by Government for obvions reasons. If they take a right step as suggested above, the interests of the big influential concerns would be affected—the companies who pay to their shareholders, mostly non-Indians, the fattest dividends to the extent of 25 to 30%—the money exacted from this poor country by reason of their monopolistic position. Further, it is well known that these big companies have been entering into a drastic rate cutting war when any new concern comes into field, and with the strength of their powerful resources successfully wipe such new concerns out of existence. I may submit that to lessen the burden of this kind, to prevent the huge drainage of money and to extend the opportunities of Oil Research for Indians with a view to producing within the country different by-products from the raw material, in the case in question, Crude Oil, it is the duty of Government of India to take urgent steps implementing the recommendations of the Tariff Board so that this country may be self-sufficient in the matter of her requirements of refined petroleum products. This House has in the last two days discussed important questions concerning the economic welfare of this country and have adopted suitable resolutions thereon. As regards the question of giving them effect, our worthy friend Sjt. Manu Subedar this morning has remarked: "What could be expected from the present Government?" I would say: "What could be expected from the future Government if it is constituted as proposed?" The Federal Constitution as described in the Government of India Act has been vehemently opposed by all schools of thought in this country. Our Federation has already lodged its protest in the past, and we should endorse the unanimous demand for such suitable amendment of the Constitution as would place this country in line with the self-governing Dominions of the Empire. I make this mention because on such a Constitution alone depends the economic welfare of the people of this country and without this, the country can never stand in line with free nations of the world. With these remarks I second the Resolution.

The Resolution was adopted unanimously.

President: We have finished all the resolutions on the Agenda paper. We now come to Item No. 4 on the Agenda. I call upon Mr. G. G. Morarji to move his propopal.

Mr. Gordhandas Morarji (Indian Merchants' Chamber, Bombay):

Mr. President & Delegates,

I beg to move the following amendments to the Rules and Regulations of the Federation, notice with regard to which has been given by the Indian Merchants' Chamber in their letter dated 6th January 1938.

Notice of the same amendments was given by the Indian Merchants' Chamber before the last Special session, but there being no Committee meeting at the time, the amendments had to be sent on to the General meeting by a requisition signed by 10 Member-bodies. Even this was not allowed to be placed on the Agenda. I request that the amendments, which I am moving, be considered *en bloc* as all these amendments are interrelated and it will be very difficult to consider and to vote upon one without considering side by side the others.

The principal object of my Committee in giving notice of these amendments is to remove certain misunderstandings. The constitution of the Federation was overhauled at the last Annual session and at the time my Committee, in common with several other Member-bodies of the Federation, had taken strong objection to certain proposed amendments of the Rules and Regulations. Among these rules and regulations which were objected to the most, there was one which provided for the elections being held by post, the voting papers being sent round to each Member-body instead of being given personally to each delegate as was the case under the old rules. The other amendment against which objection was taken was that each delegation got collectively one vote at the General meeting instead of all the delegates having got one individual vote, thereby reducing the voting strength per Member-Association from 4 to 1. As a result of the strong protest lodged by many of us last year, a compromise was ultimately arrived at the fag end of the session when we were assured that a Special Session would be called to revoke that part of the new constitution which provided for elections being carried out by post. A special session was thus called in December last and there the amendments were brought in, providing for the elections being held at Delhi instead of the voting papers being sent to each Member-body. Unfortunately, the amended rule requiring only one delegate to vote and not four was not proposed to be changed. It is our conviction that the compromise arrived at last year aimed at restoring the old system of elections in its entirety, viz. that the elections should be held at the Annual meeting itself and that delegates of all the Member-bodies present should be entitled to vote and not only one from each body. The result of the Special session held was thus to reduce the voting strength and to introduce a very unwelcome and undesirable, and, if I may say so, undemocratic principle. It is surely well-known that the large number of delegates who attended the annual meetings of the Federation was due more or less to the opportunity given to all the delegates to cast their votes not only for resolutions but also for the ballot papers. I am sorry that both the President and Mr. D. P. Khaitan at the Special General meeting took the view that the compromise effected at the last Annual session did not contemplate a consequential change with regard to the right of voting for all delegates. Mr. Khaitan quoted the Resolution proposed by Mr. Jamshed N. R. Mehta at the last annual session which "recommended to the Executive Committee to alter the system of ballot which has been instituted by these rules and that it should come back to the old system of voting in the house itself."

What we understood then, and have understood all throughout, is that a reversion to the old system of voting meant not only that the elections should be held at the place of the annual meeting itself, but that ballot papers should be issued to all the four delegates instead of to one only. Under the old procedure of election, the elections were held at the annual meeting and ballot papers were issued to all the four delegates. Going back to the old procedure, therefore, means not only taking up one part of the procedure only but taking up the procedure as a whole in all its synthesis. You will find, Sir, again in a resolution quoted by Mr. Khaitan the following words: "That the General meeting recommends to the Executive Committee of the Federation to take early steps to re-adopt the system of electing the Committee at the Annual Meeting instead of by sending ballot papers to the Member-bodies........" Here again, when you say "re-adopting the system of electing, etc." it should not be only the change in the venue but the method also. That was the compromise effected by our friend, Mr. Jamshed Mehta, and our contention is that it should be observed both in letter and spirit. We have now tabled the amendments with a view to emphasise this aspect of the question and leave a decision on the same to the good sense of the delegates present. At the same time, I shall be failing in my duty if I do not emphasise that if the suggested change is not accepted and if the whole of the old election procedure is not reverted to, it will come in the way of the success of these Annual meetings and, by restricting the franchise, detract from the representative character of the elections. Both the President and Mr. Khaitan remarked at the Special Meeting that representatives of certain bodies did not at the Committee meeting protest against the amendments tabled by the Committee. As a matter of fact, Sir, if I may be allowed to say so, the Committee should have circulated their suggested amendments to all the Member-bodies and invited their opinions in time for being placed with the imprimatur of the Committee before the General Body. Instead of that, these amendments were circulated for the first time with the agenda for the Special Meeting and there was no further meeting of the Committee of the Federation held and thus no opportunity was given to Member-bodies to communicate their views on the amendments to the Committee. Generally, a meeting of the Committee is held one day previous to a General meeting. Even this procedure was dropped last time, with the result that the Member-bodies were deprived of any opportunity to place their views before the Committee.

I would like to point out to another doubt which some of us feel in regard to the Rules and which has an important bearing on the amendments we are to consider today. Under Rule 13 of the Rules of the Federation, office-bearers and members of the Committee for the year are ex-officio delegates to all the General meetings of the Federation with power of voting. There is no restriction, at least expressed, in regard to this right of voting, and it would be pertinent to know if the intention is to confer such rights in respect of election of office-bearers also. It must be pointed out that under the constitution adopted at the last Annual General Meeting, they did not possess this right, as the said right was to be exercised only by the Member-bodies voting by post. The change introduced of giving the right to one delegate of each member-body present at the meeting duly authorised for the purpose, should not mean the conferment of similar rights on members of the Executive Committee present at the meeting. If such a right is contemplated, it would mean a weightage of 28 votes to members of the Committee as against a total voting strength of not more than 60 representing the Member-bodies. An elucidation of this point is very necessary, as the issue has a direct and important bearing on the amendments we are discussing now.

With these words, I commend the amendments to your acceptance.

AMENDMENTS ABOVE REFERRED TO

Present Clause.	*Amendments.*
7. Every Member-body shall have one vote for each seat to be filled on the Committee and shall not give more than one vote to one candidate. For this purpose each Member-body shall indicate in its nomination of the delegates the priority in which the delegates amongst themselves will have the right to record the votes on behalf of that Member-body.	7. Every delegate of a member-body shall have one vote as prescribed in Clause 12 of the Constitution for each seat to be filled on the Committee and shall not give more than one vote to one candidate.
8. The voting papers along with the covering letters shall be issued by the Secretary on the morning of the first day (or so soon thereafter as the President considers to be fit having regard to the agenda of the meeting) of the Annual session to such of the delegates as are authorised by the Member-bodies to receive them and shall be returnable by such time on the same day, as may be announced by the President prior to the distribution of the voting papers.	8. The voting papers along with the covering letters shall be issued by the Secretary on the morning of the first day (or so soon thereafter as the President considers to be fit having regard to the agenda of the meeting) of the Annual session to every delegate of a member-body present and shall be returnable by such time, on the same day, as may be announced by the President prior to the distribution of voting papers.
9. A voting paper shall not be valid unless it is accompanied by a covering letter (issued by the office) signed by the delegate authorised by the Member-body to record the votes.	9. A voting paper shall not be valid unless it is accompanied by a covering letter (issued by the office) signed by the delegate tendering the same.

Mr. Jamshed Mehta: Mr. President and Gentlemen, at this stage I have to make an appeal to the mover of this amendment. I do realise what he feels. Since yesterday I have been trying to understand the various members and delegates belonging to various member bodies; and I wish that this amendment be dropped for the present, so that I may understand further the views of the member bodies and delegates and put it before the new executive committee so as to arrive at some understanding. I am sure we will be doing justice to the executive committee of the past, the new executive committee and also to the Federation, if time is given to the new executive committee to consider this amendment. I can assure my friend Mr. Gordhandas that I will do my best to see the interest of the Federation from every point of view and to keep to the sentiments of the members if I really feel that they are in favour of this amendment. I will place the whole case before the new executive committee.

Mr. R. K. Sidhwa (Karachi Indian Merchants Association): *I do not object to it but there are some difficulties in accepting that proposal, for the simple reason that we have been deprived of the right of vote this year, and I do not desire that this right should be taken away, if not perpetually, even for next year. Sir, my feelings are very strong in this matter. It is a matter of the right of a delegate and you cannot restrict that right. You give a delegate a right of vote for all purposes but for the purpose of electing his chosen representatives you give the vote to only one delegate. I fail to understand that sort of argument. You have under section 12-A given the vote to all delegates for all purposes but for the purpose of election of his representatives why should you restrict it to one delegate only from a member body? Sir, I consider it against my self-respect and I can tell you that if this amendment had not been on the paper I would not have come to this Federation at all. Sir, I request and appeal to my friends even at this stage to accede to our request and not to rely on their voting strength. Some of us have been taking an interest in this Federation not from its inception but ever since the Commercial Congress was there in this very city under its first President Lala Harkishen Lal. We have been attending regularly and by depriving us of the right to vote you will only compel us not to attend this

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*Speech not corrected.

Federation. I for one shall not attend the next meeting if that right is not given to me. I know by sheer strength of vote you may defeat this amendment but I make a humble appeal to Mr. Khaitan and Lala Sri Ram that we have worked harmoniously here and they should see our viewpoint.

I know the feelings of the incoming President. We are asked to wait. How long are we to wait? I fear that next year also our right will go. Unless you call a special conference you cannot decide this question satisfactorily. I appeal to the pioneers in this Federation to look to the harmonious working of the Federation. If you think we are a hindrance, tell us so plainly. You know under what circumstances several of these changes took place in the constitution. Now, we have made water-tight compartments of election and I do not understand why you fear that this Federation will be captured by somebody. I, therefore, in the large economic and industrial interests, appeal to Mr. Jamshed Metha to see that we are not deprived of our votes. I appeal that the amendment be adopted and I would ask Lala Shri Ram to be good enough to make a declaration to that effect.

Mr. A. D. Shroff: I think the appeal made by the incoming President cannot be lightly ignored. I think it will be sufficient for the purpose of the mover of the amendments and for those who are supporting these amendments—and I am one of them—if the incoming committee is fully apprised of the very strong feeling among certain sections of this House on this question and as Mr. Mehta has given us to understand that the incoming committee will consider this point afresh and try to evolve proposals which will be acceptable to all sections of this Federation I think the discussion should be dropped at this stage. Mr. Sidhwa fears that we may be deprived of this right next year also. If during the year, the committee comes to definite conclusions and recommends an amendment of the existing rules, it is possible that at the next session the first item on the agenda may be the amendment of the rules before the election actually takes place. I would make an appeal to the incoming President, because last year I understand he was a most vigorous exponent of this point of view. In view of the assurance given by the incoming President, I think we should drop the discussion at this stage. I would appeal to the mover to withdraw the amendment.

Mr. Jamshed Mehta: What I want to assure you is that this question will be decided before the next Federation session. I certainly intended either to call a special conference after consulting the new committee or, as Mr. Shroff has suggested, to put this question first on next year's agenda. I want time to understand the viewpoints of all the member bodies and then I will place my views before the new Committee and arrive at an understanding which will be acceptable to all concerned.

Mr. Gordhandas Morarji: I am willing to respond to the appeal made by the incoming President. I hope he will so arrange matters that before the next year's meeting members get the right to exercise their vote. I would suggest, that if it commends itself to the incoming President, the whole subject may be referred to a committee for their consideration.

Mr. Jamshed Mehta: I am agreeable to the suggestion made that the subject be referred to a Committee.

Mr. J. J. Kapadia: Supposing the committee on a consideration of these amendments comes to the conclusion that the amendments are such that they are unacceptable to the committee, is it understood that in that case the amendments will again be referred to this House for consideration next year? Because if these amendments are tabooed, it will require another requisition from ten member-bodies in order that these amendments may come up again for consideration before the House and I think it would not be right that the Indian Merchants' Chamber or any other body which is willing to sponsor these amendments should be put to the trouble of getting the requisition signed by ten member-bodies. The understanding should be that in the unfortunate event—I use the word 'unfortunate' deliberately—of the committee not agreeing to these amendments, the matter should again be referred back to this House for consideration.

Mr. Jamshed Mehta: I do not think that such a contingency will arise. Presumably, the committee will make a report and I will see that that report is placed first, so that the whole matter can be discussed before the voting comes.

President: In view of the arrangement arrived at, I take it that the House gives permission to refer the matter to the committee for consideration and report.

Mr. Khaitan : Strong views have been expressed by certain sections of the House and equally strong views have been held by other sections. I only want this to be recorded.

The proposal to refer the question to the Committee for consideration and report was carried unanimously.

President : The next item on the Agenda is the Election of Office-bearers and Members of the Committee of the Federation for the year 1938-39. The Secretary will read the scrutineers' Report.

The Secretary then read the scrutineers' Report.

Election of Office-bearers and Members of the Committee for the year 1938-39

President

Mr. Jamshed N. R. Mehta.*

		Votes.
	Textile Mills :	
1.	Mr. Kasturbhai Lalbhai	32
2.	Diwan Bahadur C. S. Ratnasabapathy Mudaliar	28
	Sugar Mills :	
1.	Lala Padampat Singhania	32
	Insurance :	
1.	Mr. J. C. Setalvad	33
	Banking, Banker & Bullion Trade :	
1.	Mr. N. L. Puri	28
	Mining :	
1.	Mr. A. L. Ojha *	
	Tea, Coffee & Rubber industries :	
1.	Mr. Debes Chandra Ghose *	
	Transport :	
1.	Mr. M. A. Master *	
	Other Industries not specified above :	
1.	Mr. M. C. Ghia	36
2.	Lala Karmachand Thapar	28
3.	Mr. M. Mahomed Ismail	24

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* Elected unconteted.

Other Trade and Commerce not specified above :

1.	Mr. Guru Prasad Kapur (Piecegoods) *	
2.	Lala Guru Sharan Lal (Produce) *	
3.	Mr. G. D. Birla (Jute) *	
4.	The Hon'ble Mr. Brijlal Biyani (Printing) *	
5.	Rao Bahadur Seth Shivratan G. Mohatta (Metals, Gunny Bags, Wool, etc.) *	
6.	Rao Sahib C. Hayavadana Rao (Silk Industry) *	
7.	Hon'ble Sir Rahimtoola M. Chinoy (Radio) ..	34
8.	Mr. A. D. Shroff (Stocks and Shares) ..	32

Honorary Treasurer:

Mr. D. N. Sen *

Election of Hony. Auditors:

Chairman : I move that Mr. Vaidyanath Aiyar, B.A., G.D.A., R.A., Delhi, be appointed Honorary Auditor to the Federation.

The proposal to appoint Mr. Vaidyanath Aiyer as Hony. Auditor was unanimously accepted.

Mr. Jamshed Mehta: I rise to move the last Resolution on the Agenda :

VOTE OF THANKS TO THE PRESIDENT

This Federation puts on record its great appreciation of the services rendered by the President, the Hon'ble Sir Rahimtoola M. Chinoy, during the term of his office and expresses its warmest thanks to him.

In moving this Resolution I have really very few words to say. I have no doubt that you will agree that Sir Rahimtoola Chinoy has worked very hard during the last year and has given complete satisfaction to everyone. He has raised the dignity of our Federation during the period of his presidentship. The Federation has passed some very important Resolutions during his time and has been able to get something from the Government and other bodies. We, therefore, congratulate him on the successful year that has passed. I offer him my heartfelt congratulations and pray that he may be blessed with long life and prosperity.

Mr. D. P. Khaitan: I have the greatest pleasure in seconding the Resolution. I have worked with Sir Rahimtoola Chinoy not only when he was Vice-President but also during his chairmanship. I have the greatest pleasure in telling you that the justice and impartiality which he has displayed in the discharge of his duties have been a notable trait of his character which is worthy of emulation by others. In his regime memorable things have been done. Lala Shri Ram has presented a big house for the office of the Federation, an occasion which will ever remain memorable in the history of this Federation (*Applause*). It is again during the regime of Sir Rahimtoola Chinoy that a suitable basis has been formed by subscriptions promised by members for the next five years that important questions affecting the mercantile community will receive thorough study, in order that our case may not go by default and unpleaded for. Again it was during the regime of Sir Rahimtoola Chinoy that a special general meeting was held. There are extraordinary things that have happened during his term of office and the smooth way in which he has run the course of our affairs deserves our heartfelt thanks and gratitude. May all Presidents in future show equally good results.

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* Elected uncontested.

Diwan Bahadur Ratnasabapathy Mudaliar : I have great pleasure in associating myself with this Resolution. The term of office of Sir Rahimtoola Chinoy as President of this Federation has been a record one. He had a great deal to do things in a very conciliatory way. That is a great quality which he has exercised and coming from the South, I endorse every word that has been said by Mr. Jamshed Mehta and Mr. Khaitan.

Mr. A. D. Shroff : I have very great pleasure in further supporting the Resolution. Speaking from personal experience, I can vouch for the fact that Sir Rahimtoola Chinoy is the ideal colleague that anyone can desire to have. Perhaps his biggest quality which we all admire is the one which enables him to dissolve a storm as soon as he notices it. Although a storm threatens to burst, in a few minutes, there is perfect calm. We had two threatening storms today. Fortunately for us, they have been dissolved and at the end of the session we are all in good humour and we shall go back to our homes with very pleasant memories. I wish to join the other speakers in wishing our retiring President godspeed and long life and prosperity.

R. B. S. Mohatta spoke in Hindi, offering congratulations to the retiring President.

Mr. Jamshed Mehta : Before I put the Resolution, let me thank you heartily for electing me President for the next year. I earnestly pray that I may perform my duties to the satisfaction of everybody and that I may justify the confidence you have placed in me.

The Resolution was carried unanimously with acclamations.

Sir Rahimtoola Chinoy : I am much thankful to you for the kind manner in which the vote of thanks is passed for me. From the time I was called to occupy the very high office of President of the Federation I felt how unequal I was to the task unless I was supported by the co-operation and friendly feelings of not only my colleagues on the Committee but also by all the member-bodies of the Federation. I was not wrong in my optimism, that I would get a response from you all to my appeal. I got co-operation and support from every member-body and my colleagues on the Committee and it was this co-operation and sympathy which enabled me to steer the ship of the Federation during the course of the year. We had several important and weighty questions to discuss and consider, and it gives me great pleasure while leaving my charge of the office to find that my year of stewardship has now got its approval from you all gathered in this session. I recently read the account of a private Secretary to the President of the United States as to what are the essential duties for a successful private secretary. I wish that a man with a greater gift of pen and tongue than myself would write as to what are the essential requirements for the President of such a body like the Federation. I found that the greatest requirement of the President of such a body was appreciation of other people's viewpoints and conceding that whatever views are put forward by a man are his genuine and bona fide views and not attributing any motives or any other causes for such views. It is such an appreciation which brings the President and all the others with whom he has to deal nearer together. The other requirement I should state is a square and fair deal to all ; the third is doing one's duty in the light that it is duty to the country. It would be presumptuous of me to say that I fulfilled all these requirements, but I tried to keep these objectives before me in my work.

Our country is passing through momentous times and the Federation has got a greater and greater function to fulfil in these new and changed times. My friend, Lala Shri Ram, in his stirring speech this morning referred to the work of the Federation for the future. I know though I was not in the Federation at the time how even while the Federation was in its inception Lala Shri Ram placed before the authorities then a glorious vision and he has never ceased to give inspiration to it upto now. I can only hope that all our friends in all the provinces will extend their hand of co-operation to the Federation making it a strong, united and powerful body to represent Indian commerce fitted to hold its place in the new India which we want to see ushered in before long.

I should like to state before I close my sense of appreciation of the work done by our energetic and capable Secretary, Mr. Mulherkar. I am thankful to him for his assistance and also thankful to the staff for the willing work they have done during the year. I also thank the Scrutineers, Mr. J. K. Mehta and Mr. J. N. Sen Gupta for the work of scrutinising the election papers. I thank you all for your friendly thanks to me and I may assure you that I shall ever remember my tenure of Presidentship as the thing to be remembered the most in my life.

The proceedings of the Eleventh Annual Session of the Federation then came to a close.

APPENDIX A

LIST OF MEMBER-BODIES OF THE FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY WITH THEIR REPRESENTATIVES.

Names of Members	*Names of representatives*
1. Ahmedabad Millowners' Association, Ahemadabad.	1. Mr. Kasturbhai Lalbhai. 2. „ M. M. Parikh. 3. „ Surotamma P. M. Hutheesingh. 4. „ Chinubhai Naranbhai.
2. Ahmedabad Share & Stock Brokers' Association, Ahmedabad.	1. Mr. Nandulal Mancharam. 2. „ Kantilal Chandulal. 3. „ Sarabhai Dahyabhai. 4.
3. All-India Soap-Makers' Association, Calcutta.	1. Mr. J. N. Lahiri. 2. „ J. N. Banerji. 3. „ B. N. Maitra. 4. „ S. C. Ghose.
4. Andhra Chamber of Commerce, Madras.	1. The Hon'ble Mr. Narayandas Girdhardas. 2. Mr. G. Srirambabu. 3. „ K. L. Narasimha Rao. 4. „ V. Venkateswara Sastrulu.
5. Association of Indian Industries, Bombay.	1. Mr. M. C. Ghia, M.L.A. 2. Dr. M. Venkatrao, J.P. 3. Mr. Anandji Kanji. 4. „ G. N. Bannerji.
6. Bengal Industries Association, Calcutta.	1. Mr. N. N. Rakshit. 2. Dr. P. N. Bannerjee. 3. Mr. Akil Chandra Datta. 4. „ A. N. Chatterjee.
7. Bengal National Chamber of Commerce, Calcutta.	1. Dr. N. N. Law. 2. Mr. D. N. Sen. 3. „ B. C. Ghose. 4. „ K. C. Gupta.

Names of Members	*Names of Representatives*
8. Berar Chamber of Commerce, Akola.	1. Hon'ble Mr. Brijlal Biyani.
	2.
	3.
	4.
9. Bihar Chamber of Commerce, Patna.	1. Mr. Gurusharan Lal.
	2. ,, Rama Prasad Gupta.
	3. ,, Uma Charan Lal.
	4. ,, B. Das, M.L.A.
10. Bombay Bullion Exchange, Bombay.	1. Mr. Rameswardas Birla.
	2. ,, L. Harakhchand Daga.
	3. ,, Chunilal B. Mehta.
	4.
11. Bombay Shroff Association, Bombay.	1. Mr. Chunilal B. Mehta.
	2. ,, Mohanlal A. Parikh.
	3. ,, Sankalchand G. Shah.
	4. ,, P. Manmohandas Mehta.
12. Burma Indian Chamber of Commerce, Rangoon.	1.
	2.
	3.
	4.
13. Buyers & Shippers Chamber, Karachi.	1. Mr. Jamshed Nusserwanji.
	2. ,, Hoshang N. E. Dinshaw.
	3. ,, Fidahussain M. Sheikha.
	4. ,, Haridas Lalji.
14. Cawnpore Kapra Committee, Cawnpore.	1. Mr. Guru Prasad Kapoor.
	2. ,, Dwarika Prasad Kakkar.
	3. ,, Kishen Chand Seth.
	4. ,, Badri Prasad Gupta.
15. Delhi Factory Owners' Federation, Delhi.	1. Lala Shri Ram.
	2. Mr. C. W. Erskine.
	3. Lala Baij Nath Sayal.
	4. Dr. Seth.
16. Delhi Hindustani Mercantile Association, Delhi.	1. Lala Panna Lal Jain.
	2. Mr. A. C. Khosla.
	3. ,, Panna Lal Arora.
	4. ,, L. N. Gadodia.
17. East India Jute Association, Calcutta.	1. Mr. H. P Bagaria.
	2. ,, Babulal Kasera.
	3. ,, Radhakrishna Maru.
	4.

Names of Members	*Names of Representatives*
18. Federation of Baroda State Mills & Industries, Baroda	1. Mr. Chhotalal Bhailalbhai Patel.
	2. „ Harivallabhdas Kalidas.
	3. „ Anandlal Hiralal.
	4. „ Maganlal Bhikhabhai Patel.
19. Godavari Chamber of Commerce, Cocanada.	1.
	2.
	3.
	4.
20. Grain Merchants' Association, Bombay.	1. Mr. Khimji Shamji.
	2. „ Nathubhai Kuverji.
	3. „ Ratilal Mulji Gandhi.
	4. „ Devji Ratansi.
21. Gwalior Chamber of Commerce, Lashkar.	1. Lala Ramji Das Vaishya.
	2. Mr. Sitaram Khemka.
	3. „ S. R. Dhariwal.
	4. „ Damodhar Das Nagori.
22. Indian Chamber of Commerce, Calcutta.	1. Mr. G. D. Birla.
	2. „ G. L. Mehta.
	3. „ K. J. Purohit.
	4. „ N. L. Puri.
23. Indian Chamber of Commerce, Coimbatore.	1. Diwan Bahadur C. S. Ratnasabapathy Mudaliar.
	2.
	3.
	4.
24. Indian Chamber of Commerce, Lahore.	1. Mr. P. S. Sodhbans.
	2. K.B. Sardar Habib Ullah.
	3. Mr. H. D. Mehta.
	4. Lala Maha Narain.
25. Indian Chamber of Commerce, Tuticorin.	1. Mr. A. R. A. S. Duraisamy Nadar.
	2. „ J. L. P. Roche Victoria.
	3. „ T. G. Yesudian.
	4. „ M. V. S. Sundaravel Nadar.

Names of Members	*Names of Representatives*
26. Indian Colliery Owners' Association, Jharia.	1. Lala Karamchand Thapar. 2. Mr. Amritlal Ojha. 3. „ Girjashankar Rawal. 4. „ Nanalal J. Parikh.
27. Indian Insurance Companies Association, Bombay.	1. Mr. J. C. Setalvad 2. „ Mangaldas B. Mehta 3. „ K. S. Ramchandra Iyer. 4. „ Vijayasingh Govindji.
28. Indian Insurance Institute, Calcutta.	1. Mr. S. Bagchi. 2. „ S. C. Ray. 3. „ K. C. Banerji. 4. „ A. C. Sen.
29. Indian Life Assurance Offices Association, Bombay.	1. Pandit K. Santanam. 2. Mr. K. C. Desai. 3. „ P. C. Ray. 4. Hon'ble Mr. M. Ct. M. Chidambaram Chettiar.
30. Indian Merchants' Association, Chittagong.	1. Babu Upendra Mohan Paul. 2. Mr. K. B. Choudhury. 3. „ Nalini Kanta Das. 4. „ Abinash Chandra Choudhury.
31. Indian Merchants' Chamber, Bombay.	1. Mr. Gordhandas G. Morarji. 2. Hon'ble Mr. Govindlal Shivlal Motilal. 3. Mr. Manu Subedar, M. L. A. 4. Hon'ble Sir Rahimtoola M. Chinoy, Kt.
32. Indian Mining Federation, Calcutta.	1. Rao Bahadur D. D. Thacker. 2. Mr. Sushil Chandra Ghose. 3. „ Kanailal Dutt. 4. Rai Bahadur P. Mukerjee.
33. Indian National Steamship Owners' Association, Bombay.	1. Mr. M. A. Master. 2. „ K. C. Dinshaw. 3. „ Mohammad Reza Haji Sharif. 4.

Names of Members	*Names of Representatives*
34. Indian Produce Association, Calcutta.	1. Mr. R. L. Nopany.
	2.
	3.
	4.
35. Indian Salt Association, Bombay.	1.
	2.
	3.
	4.
36. Indian Sugar Mills Association, Calcutta.	1. Mr. D. R. Narang.
	2. Lala Karamchand Thapar.
	3. Lala Shankarlal.
	4. Lala Jaswantrai.
37. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Debes Chandra Ghose.
	2.
	3.
	4.
38. Jute Balers' Association, Calcutta.	1. Mr. Debiprasad Khaitan.
	2. ,, Santoshchand Bararia.
	3. ,, Rameswarlal Nopany.
	4. ,, Durgaprasad Khaitan.
39. Karachi Indian Merchants' Association, Karachi.	1. R. B. Seth Shivratan G. Mohatta.
	2. Mr. R. K. Sidhwa.
	3. ,, Jamshed Nusserwanji.
	4. ,, Chetanram B. Bhojwani.
40. Karnatak Chamber of Commerce, Bagalkot.	1. Mr. Y. Mahabaleshvarappa.
	2. ,, V. B. Bellary.
	3. ,, S. S. Sakri.
	4. ,, M. C. Handigund.
41. Kirana Committee, Delhi.	1. Lala Shiv Shankar.
	2.
	3.
	4.
42. Madura-Ramnad Chamber of Commerce, Madura.	1. Mr. K. M. S. Lakshmana Iyer.
	2. ,, S. N. K. Sundaram.
	3. ,, R. A. Narayana Iyer.
	4. ,, K. Subbier.

Names of Members	*Names of Representatives*
43. Maharashtra Chamber of Commerce, Bombay.	1. Mr. M. L. Dahanukar.
	2. ,, E. B. Rajderkar.
	3. ,, G. S. Marathey.
	4. ,, K. H. Dhamdhere.
44. Malabar Chamber of Commerce, Calicut.	1. Pandit Anand Ram Vyas.
	2.
	3.
	4.
45. Marwadi Chamber of Commerce, Bombay.	1. Mr. Begraj Gupta.
	2. ,, Kedarnath Agarwal.
	3. ,, Ramlal Manektala.
	4.
46. Maskati Cloth Market Association, Ahmedabad.	1. Mr. Bhogilal Chhotalal Sutaria.
	2. ,, Trikamlal Mahasukhram.
	3. ,, Shantilal Popatlal.
	4. ,, Shantilal Ratanchand.
47. Merchants' Chamber of U. P., Cawnpore.	1. Lala Padmpat Singhania.
	2. Sardar D. Inder Singh.
	3. Mr. S. M. Bashir.
	4. ,, H. G. Misra.
48. Muslim Chamber of Commerce, Calcutta.	1. Sir A. H. Ghuznavi, KT., M.L.A.
	2. The Hon'ble Mr. Abdool Razak H. Abdool Suttar.
	3. Mr. S. M. Nauman, M.L.A.
	4. ,, Kamaluddin Ahmed, M.L.A.
49. Mysore Chamber of Commerce, Bangalore.	1. Rajacharitavisarada Rao Sahib C. Hayavadana Rao
	2. Mr. Narain Rao G. Naik.
	3. ,, Devarao Shivaram.
	4.
50. Native Share & Stock Brokers' Association, Bombay.	1. Mr. A. D. Shroff.
	2. ,, Amritlal Kalidas.
	3. ,, J. J. Kapadia.
	4. ,, Thakorlal H. Vakil.
51. Nattukottai Chettiars' Association, Burma.	1. Hon'ble Mr. M. Ct. M. Chidambaram Chettiar.
	2.
	3.
	4.

Names of Members	*Names of Representatives*
52. Paddy Merchants' Association, Calcutta.	1. Mr. Ashutosh Bhattacharyya. 2. 3. 4.
53. Seeds Traders' Association, Bombay.	1. Mr. Ratilal Mulji Gandhi. 2. ,, Ramdas Kilachand. 3. ,, Gordhandas Jamnadas. 4. ,, Sevantilal Nagindas.
54. Southern India Chamber of Commerce, Madras.	1. Hon'ble Mr. M. Ct. Chidambaram Chettiar. 2. Hon'ble Mr. V. Ramdas Pantulu. 3. Hon'ble R. B. K. Govindachariar. 4. Swami Venkatachellam Chetty Garu, M. L. A.
55. Southern India Hide & Skin Merchants' Association, Madras.	1. Mr. Mohamed Ismail Sahib 2. ,, Fakhrudin Piracha. 3. ,, M. Nazir Hussain. 4. ,, B. S. Mohamed Zackeria Saib.
56. Telikanta Brokers' Association, Calcutta.	1. 2. 3. 4.
57. United Provinces Chamber of Commerce, Cawnpore.	1. Mr. I. D. Varshnaie. 2. Lala Ram Chandra. 3. Mr. N. K. Halwasiya. 4. ,, N. K. Bhartiya.

EX-OFFICIO REPRESENTATIVES

1. Seth Walchand Hirachand, Bombay.
2. Hon'ble Mr. N. R. Sarker, Calcutta.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

PROCEEDINGS OF
THE THIRTEENTH ANNUAL MEETING

Held at Delhi on 30th and 31st March, 1940

Vol. III

1940

28, Ferozshah Road,
NEW DELHI.

OFFICE-BEARERS OF THE FEDERATION FOR THE YEAR 1940-41.

President :

Mr. Amritlal Ojha.

Vice-President :

Mr. Chunilal B. Mehta.

Members of the Committee :

1. Mr. Kasturbhai Lalbhai, Ahmedabad. } (Textile Mills).
2. Lala Shri Ram, New Delhi. }
3. Lala Padampat Singhania, Cawnpore. (Sugar Mills).
4. Mr. J. C. Setalvad, Bombay. (Insurance).
5. Mr. N. L. Puri, Calcutta. (Banking, Banker & Bullion Trade).
6. Lala Karamchand Thapar, Calcutta. (Mining).
7. Mr. Debas Chandra Ghose, Jalpaiguri. (Tea, Coffee and Rubber Industries).
8. Mr. Gaganvihari L. Mehta, Calcutta. (Transport).
9. Mr. S. P. Jain, Dalmianagar. (Cement and Heavy Chemicals).
10. Mr. Deviprasad Khaitan, Calcutta. (Paper & Starch Industries).
11. Mr. M. Mohammad Ismail, Madras. (Tanning).
12. The Hon'ble Sir Rahimtoola M. Chinoy, Kt., Bombay. (Wireless).
13. Mr. Keshavprasad Goenka, Calcutta. (Jute Trade).
14. Mr. A. D. Shroff, Bombay. (Share & Stock Trade).
15. Lala Gurusharan Lal, Gaya. (Produce).
16. Kumararajah M. A. Muthiah Chettiar, Madras. (Import and Export Trade).
17. Rao Bahadur Shivratan G. Mohatta, Karachi. (Metal, Gunny Bags, Wool Machinery and Building Materials).
18. Mr. Satya Paul Virmani, Amritsar. (Wheat Trade).
19. Rao Sahib C. Hayavadana Rao, M.L.C., Bangalore. (Silk Industry).

Honorary Treasurer :

Mr. N. R. Sarker, Calcutta.

Co-opted Members :

1. Dewan Bahadur C. S. Ratnasabapathi Mudaliar, Coimbatore.
2. Sir Purshotamdas Thakurdas, C.I.E., M.B.E., Bombay.
3. Sir Ardeshir R. Dalal, Bombay.
4. Sir A. H. Ghuznavi, M.L.A. (Central), Calcutta.
5. Mr. Brijmohan Birla, Calcutta.
6. Mr. Ramratan Gupta, Cawnpore.

Secretary :

Mr. D. G. Mulherkar.

Office :

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Vol. III

PROCEEDINGS OF

THE THIRTEENTH ANNUAL MEETING

Held at Delhi on 30th and 31st March, 1940

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

NOTE

At each Annual Session of the Federation, a report, being the proceedings of the Committee, is submitted for adoption. Since 1936 another volume is submitted to the Annual Session, being the print of important and relevant correspondence and documents relating to questions dealt with by the Federation during that year. This is followed by another publication being the proceedings of the Annual Session. All these publications are printed in three volumes :—

Volume I.	Report of the Proceedings of the Committee of the Federation for the year 1939-40 with audited statement of accounts for the year 1939.
Volume II.	Important correspondence and documents.
Volume III.	Proceedings of the 13th Annual Session of the Federation.

28, Ferozshah Road,
NEW DELHI.
25th May, 1940.

D. G. MULHERKAR,
Secretary.

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

Proceedings of the Thirteenth Annual Session held in Delhi on 30th and 31st March, 1940.

The Thirteenth Annual Session of the Federation was held in Delhi at the Old Assembly Hall, Alipore Road, on Saturday, the 30th March, 1940, at 11 A.M., with the President, Dewan Bahadur C. S. Ratnasabapathi Mudaliar, in the Chair.

Amongst the persons who accepted the invitations from the Committee of the Federation to be present were—

Rajah Sir Annamalai Chettiar, M.L.A., Mr. G. D. Birla, Dr. Pramatha Nath Banerjea, M.L.A., Sardar Sant Singh, M.L.A., The Hon'ble Mr. Shantidas Askuran, Hon. Mr. M. Ct. M. Chidambaram Chettiyar, Mr. J. Ramsay Scott, M.L.A., Sir H. P. Mody, M.L.A., Dr. Sir Zia Uddin Ahmad, M.L.A., Sir Abdul Halim Ghuznavi, M.L.A., Mr. Muhammad Nauman, M.L.A., Mr. Abdur Rasheed Choudhury, M.L.A., Mr. Hooseinbhoy A. Lalljee, M.L.A., Hon. Rai Bahadur Lala Ramsaran Das, C.I.E., Rao Saheb N. Siva Raj, M.L.A., Mr. Umar Aly Shah, M.L.A., Mr. M. Ikramullah, I.C.S., Hon. Lieut.-Col. Sir S. Hissam-ud-din Bahadur, "Shams-ul-'Ulama" Kamaluddin Ahmad, M.L.A., Hon. Sardar Bahadur Sobha Singh, Hon. Rao Bahadur K. Govindachari, Lieut.-Col. M. A. Rahman, M.L.A., Mr. Vidya Sagar Pandya, Mr. S. Vaidyanath Aiyar, Mr. T. A. Shankara Aiyar, Dr. P. P. Pillai, Hon. Kumar Nripendra Narayan Sinha of Nashipur, Mr. C. W. Erskine, Mr. W. A. A. Heath, Seth Sheodass Daga, M.L.A., Mr. U. N. Sen, Mr. Pratap Singh, Mr. S. N. Satankar, Seth Pannalal, Sardar Zanda Singh, Munshi Msahab Khanji, Mr. Matadin Khaitan, Mr. S. L. Tuli, Mr. Aziz Lalljee, Mr. B. C. Kholi, Mr. Kishan Narain Saheb, Mr. D. D. Puri, Lt. Sardar Raghbir Singh Sahib, Sandhanwalia, O.B.E., Mr. K. S. Pesriech, Mr. M. A. Barkat, Mr. C. E. M. Judge, Mr. A. F. T. Cambridge, Mr. P. H. Tirion, Mr. H. P. Dalal, Lala Hari Raj Swarup, Seth Gaurishanker, Seth Ram Kanwar, Seth Jamna Das Potdar, Seth Ram Gopal, Seth Hira Lal, Mr. D. M. Dahanukar, Mr. R. K. Chikerur, Mr. R. D. Mehra, Sheth Maganlal Bhikhabhai, Mr. Chandu Lall, Mr. Sham Nath, Mr. C. V. Bliss, Mr. Banwarilal, Mr. B. K. Dass, Mr. G. Dass Khandelwal, Mr. Permeshri Dass, Mr. A. S. deMello, Mr. C. L.

Gupta, Mr. Lakshmi Narain, Mr. Hanuman Pershad, Lala Baburam, Lala Balkishan Dass, Lala Banwari Lal, Lala Murari Lal, Lala Debi Charan, Lala Ram Sarup Dass, Lala Munshiram, Mr. R. N. Garg, Mr. Sri Ratna Shukla, Mr. B. Shiva Rao, Mr. A. S. Aiyangar, Dr. Lanka Sundaram, Dr. M. S. Natarajan, Mr. J. Macnab, Mr. P. D. Sharma, Mr. S. A. Sastri, and Mr. R. L. Rau.

The following delegates* nominated by the Member-bodies were present :—

Lala Shri Ram, Mr. N. R. Sarker, Mr. Kasturbhai Lalbhai, Hon'ble Sir Rahimtoola M. Chinoy, Lala Padampat Singhania, Mr. Amrit Lal Ojha, Mr. Chunilal B. Mehta, Mr. N. L. Puri, Mr. S. P. Jain, Lala Karamchand Thapar, Mr. Keshav Prasad Goenka, Lala Guru Sharan Lal, Mr. Guru Prasad Kapoor, Rao Sahib C. Hayavadana Rao, Mr. Hari Shanker Bagla, Mr. Durgaprasad S. Lashkari, Mr. Chinubhai Naranbhai, Mr. Rasiklal C. Nagri, Mr. K. L. Narasimha Rao, Mr. C. Ranganayakulu Chetty, Mr. Madhavlal M. Bhatt, Mr. M. J. Buch, Mr. G. S. Marathey, Mr. N. N. Rakshit, Mr. Rama Prasad Gupta, Mr. Gajadhar Somani, Mr. Mangulal Trikamlal, Mr. Sankalchand G. Shah, Mr. Hoshang N. E. Dinshaw, Mr. Haridas Lalji, Mr. Anand N. Dar, Mr. Panna Lal Arora, Mr. Panna Lal Jain, Mr. Naurang Rai, Mr. Benarsi Das, Lala Baij Nath Sayal, Mr. R. K. Saxena, Mr. H. P. Bagaria, Mr. Chaturbhujdas Chimanlal, Mr. Maganlal Bhikhabhai Patel, Mr. Chhotalal Bhailalbhai Patel, Mr. Nandlal M. Bhuta, Mr. Manilal Dhanji Tejani, Mr. R. K. Birla, Mr. L. N. Birla, Mr. P. S. G. Ganga Naidu, Sirdar P. S. Sodhbans, Mr. H. D. Mehta, Sirdar Bahadur Sirdar Ujjal Singh, Dr. Kedarnath, Mr. Bodhraj Kapoor, Dr. K. A. Hamied, Mr. B. P. Agarwala, Mr. Ramsaran Das, Mr. Rameshwar Lal Nopany, Mr. Durgaprasad Khaitan, Mr. B. M. Birla, Mr. Babbulal Jalan, Mr. Dharam Lilaram Bhojwani, Lala Shankar Lall, Lala Shiv Shanker Lal, Mr. D. R. Naik, Mr. V. K. Dhage, Mr. N. W. Gurjar, Rao Sahib P. I. Patil, Mr. R. N. Abhyankar, Mr. A. R. Bhat, Mr. G. D. Apte, Mr. Begraj Gupta, Mr. Kedarnath Agarwal, Mr. Rameshwar Saboo, Mr. Banarsidas Baid, Mr. Sunderlal Daga, Mr. Madanlal Khemka, Mr. Rupnarayan Gaggar, Sardar D. Inder Singh, Mr. R. R. Gupta, Mr. U. S. Mehrotra, Hon'ble Mr. Abdool Razak Hajee Abdool Sattar, Mr. J. J. Kapadia, Mr. P. J. Shroff, Mr. J. R. Motishaw, Mr. Satya Paul Virmani, Mr. M. L. Chowla, Rai Bahadur Panna Lal, Mr. Ratilal Mulji Gandhi, Mr. Chandulal Jamnadas Vakharia, Mr. Balkishan Munjal, Mr. Dewan C. Mehra, Mr. Bhagwan Das Mehra and Mr. I. D. Varshnaie.

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* For full list of Delegates please refer to Appendix.

The following Secretaries were deputed by the Member-bodies to attend the Session :—

Mr. J. K. Mehta, Mr. K. M. Purkayastha, Mr. S. R. Dhadda, Mr. D. V. Kelkar, Mr. P. Raghavan Nair, Mr. S. R. Biswas, Mr. T. K. Santanam, Mr. A. C. Ramalingam, Mr. Kanialal B. Modi, Mr. D. D. Nagori, Mr. Krishna Chanda Seth, Mr. S. D. Parikh, Mr. G. N. Raval, Mr. Gobind Chand Bora, Mr. M. G. Desai, Mr. K. Shama Iyer, Mr. Chunilal V. Mody and Rai Sahib Lala Ram Pershad.

The President, Dewan Bahadur C. S. Ratnasabapathi Mudaliar, in opening the proceedings of the Thirteenth Annual Session of the Federation, delivered the following speech :—

GENTLEMEN,

I extend to you a most cordial welcome to this Annual Session of the Federation.

We assemble here today against a tragic international political background. During my tenure of office, the growing international tension culminated in another major European conflict for the second time within the lifetime of a generation. The political events in Europe were not without their effect on the political situation in India. After the outbreak of the war in Europe, the largest single political organization in this country, *i.e.*, the Indian National Congress, urged His Majesty's Government to declare their war aims in relation to India's political status. The various statements of the spokesmen of the British Government having failed to satisfy the Congress, seven out of the eleven Provincial Governments submitted their resignations, and the executive Government in these Provinces has now been taken over by the Governors. It will be deeply regretted by all thoughtful people that, in spite of numerous efforts made on both sides, no solution has yet been found of the present political situation in this country. In so far as His Excellency the Viceroy has pronounced that the political goal of India is the attainment of Dominion Status of the Westminster variety the declaration is, in my opinion, a welcome one. The history of the self-governing Dominions of the British Commonwealth must reassure us that the type of constitution prevailing in those countries offers the fullest scope for our political evolution as an honourable and independent nation. I believe that a considerable section of Indian public opinion would have been satisfied if His Majesty's Government had given a very clear indication of the exact period which should be the minimum possible within which India will attain the full status of a free Dominion. I still hope that the intentions of His Majesty's Government in this regard would be made fully clear and unambiguous. As representatives of the Commercial and Industrial interests of the country we are much concerned in the preservation of internal tranquillity. Economic progress becomes impossible without political stability. Unfortunately, events during the recent weeks are making it increasingly clear that unless wiser counsels prevail in time and men of goodwill spare no pains to avert any internal commotion and disorder, the country will be plunged in an unprecedented serious political upheaval which will be disastrous not only to our political progress and economic prosperity but also to the interests of the United Kingdom in more senses than one.

The outbreak of the war in Europe has changed the entire perspective against which we are accustomed to examine our economic problems and difficulties in our annual sessions. Historically, war has always proved the turning point which marked the end of the old order of things and gave rise to a new economic and political order, resulting in a redistribution of the economic power as between various nations of the world. I do not presume to prophesy the shape of things to come but I have no doubt in my mind that, if properly utilized, the situation created by the present war would enable India to secure her legitimate and fair share in the future redistribution of economic power, and to rise to the full stature of her economic development. I, therefore, propose to present a brief outline of the various economic problems created by the war, and suggest ways and means by which we could utilize the present situation for repairing the deficiencies and strengthening the foundations of India's economic fabric.

Before I address myself to the task of outlining the appropriate economic policy to meet the problems created by the war, I should like to refer to certain important questions which the Federation has tackled during the past year, and also to indicate certain considerations of a general nature which appear to me to be vital for a proper and successful management of our economic policy under the extraordinary circumstances created by the war.

It is gratifying to note that the long anticipated project of the manufacture of locomotives in this country is favourably reported upon by an Expert Committee and is now under the active consideration of the Railway Board. It is also a matter for gratification that the Government of India have accepted the suggestion made by the Federation that they should invite the representatives of Indian industry and commerce to participate in the annual Industries Conference. In this connection, I would like to express my gratification at the appointment of the Board of Scientific and Industrial Research. On numerous occasions in the past, the Federation has emphasized the necessity of creating a machinery for bringing about a greater collaboration between industry on the one hand and various scientific institutions on the other, with a view to make the scientific researches more serviceable to industry in this country. I earnestly trust that the Research Board, the personnel of which was recently announced by the Hon'ble the Commerce Member, would do everything in their power to promote the essential co-ordination between industrial progress and scientific research. I should also like to suggest that the scope of work of the Board should be widened so that the Board would serve as an organization for the purpose of reporting on the progress made by the established industries, inquiring into the possibilites of establishing new industries and laying down in general long-term plans for rapid and ordered industrialisation.

Here I cannot but observe that the attitude of the Government of India towards Indian industry and commerce, since the outbreak of hostilities in Europe, does not appear to be very helpful. It is unfortunate that the Government should have thought it wise to impose heavy burdens on Indian industry and commerce, in the form of new taxes such as the Excess Profits Tax, the increase in the Railway rates and fares and the increases in the Sugar excise and Petrol duty, at a time when the commercial community looked forward to the Government to give their help for bringing about a rapid advance towards industrialisation.

To meet the apparent prospective deficit in the Budget for the year 1940-41, the Government have among other matters introduced an Excess Profits Tax Bill. It is indeed a great relief to note that the Select Committee has toned down a number of harsh features of the original bill, but it remains true that the imposition of a tax of this character was premature, and was not suited to the peculiar economic conditions in this country as contrasted with the conditions prevailing before and after the outbreak of the war in Europe. While commenting on the provisions of the Excess Profits Tax, I cannot help expressing the profound regret of the commercial community at the refusal by His Excellency the Viceroy to receive the proposed deputation of the Federation for acquainting His Excellency with their viewpoint on the Excess Profits Tax

Bill. It is also to be regretted that the proposal that an opportunity should be given to the interests affected by this measure to lead evidence before the Select Committee—for which a precedent was established at the time of the Reserve Bank Bill—should have been turned down by Government. I earnestly urge upon the Government of India the supreme necessity of taking the Indian business community into confidence at so critical a juncture in this country. At a time when the Government of India, in common with the British Government, expect to concentrate the efforts and energies of the people of this country on the objective of the prosecution of the war to a successful issue, it would not be amiss to point out that by extending a helping hand and organizing a vigorous Drive for the rapid industrialization of the country, the Government would not only be contributing to the permanent prosperity of the country, but they would also succeed in increasing their financial and economic strength which alone would decide the capacity of the country to bear its burdens and to contribute its quota to the successful prosecution of the war.

Another important consideration which I would like to point out is the fact that the ability of the Indian industrialists to seize the present opportunity for forging ahead and making a rapid advance towards industrialization will depend largely upon the attitude of Indian Labour during the course of the war. I have every sympathy for the legitimate grievances of the wage-earners in India but I should like my friends in the Labour Camp to remember that India has much leeway to make up towards full-fledged industrialization and during the transitional period any extravagant concessions would severely cripple her competitive position *vis-a-vis* the foreign industrialists. In this connection, I would also emphasize the need for co-ordinating labour legislation and making it applicable to all India to arrest the increasing tendency of the industries to shift from the British Indian Provinces to the Indian States. It may happen that this tendency would, to a large extent, create a location of industries which would not be justified either in the light of the availability of raw materials or the nearness of the market. I welcome the intention of the Government of India to bring about an early co-ordination of labour legislation in India.

During the year under review, the Federation succeeded in bringing about unanimity among the diverse commercial interests and in presenting a common front to the Government on the question of the proposed depreciation rates allowable under the amended Income Tax Act. The Central Board of Revenue held discussions with the representatives of the industries concerned and the final agreement regarding the depreciation rates is expected to be announced shortly. I hope and trust that Government would give their earnest attention to the views urged upon them by the representatives of Indian commerce and industry.

Early in the past year, the Government of India opened negotiations with the Government of Japan for the renewal of the Indo-Japanese Trade Convention and Protocol of 1937. The Government requested the Federation to nominate three representatives to acquaint the official delegation with the viewpoint of the Indian industrialists regarding the terms of the new Trade Treaty. The negotiations between the two Governments are still in progress. As you may be aware, the non-official advisers have submitted a unanimous report and I earnestly hope that Government would give their serious consideration to their views while negotiating the new agreement. I also urge upon the Government of India the importance of an early conclusion of the new Trade Treaty between the two countries.

The question of our trade treaties with other countries such as Japan, Burma, Ceylon, and the proposed Treaty of Commerce and Navigation with the United States of America reminds me of the miserable plight in which thousands of our fellow-countrymen are placed in some of the countries of the British Empire, such as South Africa, Burma, Ceylon, British Guiana, West Indies and some other parts of the world like Belgian Congo and Abyssinia. It is the fundamental duty of the Government of India and His Majesty's Government in Great Britain to secure the just rights and privileges of the Indian Nationals who have settled abroad and I earnestly request the Government to utilize every means in their power to safeguard the position and status of our nationals abroad who have by their labour and by their resources contributed so much to the development and the prosperity of the countries which they have adopted.

Two other questions which I would like to refer to are (1) the recent amendment of the Distribution Order in Council of 1936 which embodied the provisions of the Niemeyer Award, and (2) the proposed census of production. It is reported that the Government of India have under consideration a scheme to organize a census of production of all the large-scale organized industries in the country. Most of the progressive industrial countries have enacted laws for the taking of a compulsory periodical census of production. I welcome the belated intention of the Government to take a census of production of organized industries, but I would urge them to extend the scope of the census by applying it also to the minor and small industries in this country. So far as the recent amendment of the Distribution Order in Council (1936), which embodied the provisions of the Niemeyer Award, is concerned; I would very earnestly draw the attention of the Government of India to the fact that the amendment of any important part of the constitution which has far-reaching consequences on the prospects of the successful working of provincial autonomy, at a time when the majority of the responsible Governments have ceased to operate, is likely to seriously undermine the public confidence in the Provinces and to aggravate the difficulties of the Provincial Governments when the normal working of the constitution is restored.

I shall now briefly discuss some of the problems arising out of the war. The most obvious effect of the war on Indian Economy is that it has created an appreciable increase in the demand for a number of India's primary products and has to some extent enhanced the prices at which they can be sold. It is common knowledge that the Indian cultivators who constitute nearly 75 per cent of the total population have suffered a continuous period of unrelieved depression since 1929. It is but fair, therefore, that the Indian cultivator should be allowed to take advantage of the rise in the prices of his products and to average up the losses sustained by him for more than ten years. In my opinion there is no case for the control of prices of our exportable agricultural commodities and any attempt to check the prices when they are just recovering from the abnormally low levels which have prevailed during the last decade, would amount to deliberately denying to the cultivator his legitimate right to utilize the present opportuniy for recouping his resources which were severely depleted as a result of the Depression. The rise in the prices of and the increase in the demand for Indian agricultural produce is bound to result in an increase in the purchasing power of our masses. To the extent to which the masses utilize the additional spending power in their hands for the purchase of consumption goods such as textiles, sugar, etc., the primary increase in the income of the cultivators is bound to react favourably on the position of the indigenous industries which cater to their needs.

In this connection one important aspect of the matter to which I would urge your attention is the necessity of educating our rural masses not to invest the surplus income which accrues to them as a result of the war, in easily deteriorating assets. For years past our rural masses have extensively invested their small savings in the purchase of silver. Let me say that recent monetary history and monetary theory have definitely proved that the tendency to hold surplus income in the form of liquid assets such as cash, gold, silver, or less liquid assets such as securities, is not preculiar to the masses in this country alone, but it mainly depends on the confidence which the people have in the banking and monetary system of a country. There is nothing, therefore, to lament over the tendency which the Indian cultivator has exhibited in holding his surplus income in easily realizable assets such as gold and silver, in the past, when banking and investment facilities were not fully developed in our country. But, in recent years, we have made considerable progress in the field of banking. It is also necessary to remember that the long-term tendency of the silver market is to fall in value in terms of gold. In view of these facts, it is open to question how far it is advisable for our rural masses to invest their surplus incomes in silver bullion. I would, in this connection, urge the Reserve Bank of India to explore the possibilities of encouraging habits of saving amongst our rural population, by the issue of special Savings Certificates for the exclusive benefit of the rural population. To be attractive, the Savings Certificates should carry a relatively higher rate of interest, and be easily realizable, preferably at par, and the Reserve Bank must endeavour to keep a substantial gold reserve as a backing against these Certificates. Such Certificates should be popularized by various Provincial Governments through intensive rural propaganda regarding the advantages of profitably investing their money in the Savings Certificates. The Reserve Bank should thus attempt to mobilize the small savings of our cultivators and make them available for use in commerce and industry. It appears to me that in adopting a plan on the above lines, we would have made some progress towards the solution of the problem of the holding of their wealth by our masses in relatively barren assets such as silver or gold. Provided we achieve substantial results, then, while individually the cultivator would have an easily realizable asset in his hand, which would earn him a reasonable interest, collectively the community would have a metallic backing against their savings in the form of gold which, unlike silver, has shown a tendency to appreciate in recent years. Apart from this particular aspect of the question, however, I feel that we should encourage our masses to save out of their present surplus incomes, with a view to build up a reserve against the hard times which they would have to face at the end of the present emergency.

Another sphere in which the war has produced striking changes is in the sphere of our foreign trade. Our external trade is likely to benefit from the present emergency as a result of the substantial increase in the demand for India's staple exportable commodities, the prices at which our exports are being sold abroad and the direct purchases made in India on behalf of the Allied Governments. The increase in the value and volume of our exports is, to some extent, likely to be offset by the complete elimination of our trade with our enemies, by the inconveniences to our normal trade with the neutrals and by the lack of adequate shipping space for our exports to various international markets. It has been brought to the notice of the important Chambers of Commerce that the numerous restrictions such as the Export, Import and Exchange Controls, the inadequacy of the shipping space and the Control regarding the destination of goods etc., have caused great hardship to the export trade of this country and unless modifications of the present restriction are effected, India would not benefit as much as she would otherwise do from the present emergency. I would, therefore, urge the Government to set up an Export Council, consisting of the representatives of Indian industry and commerce and to administer the provisions of the various Controls in consultation with such a body.

It is also likely that during the duration of the war, our trade with our non-empire customers will be dislocated while our trade with the empire countries will tend to increase. In so far as this change means a net increase in our total export trade it will be all to the good. But every effort must be made to see that in securing temporary increases in our trade with the empire, our position in the traditional European market is not impaired. To this end, I would urge the importance of taking all steps to maintain our position in the European neutral markets lest we should lose our traditional position in these markets to some of our competitors like America who are free to export in unlimited quantities to these countries.

Another problem in the realm of our external trade is the fact that the relatively greater increase in the value and volume of our exports compared with our imports is bound to result in a large favourable balance of trade and lead to an enormous accumulation of Sterling resources held in London on our account. How and in what manner we can convert these Sterling resources with a view to receive the full value of the payments for our exports which are at present being made in terms of Sterling, is a problem which deserves the most serious consideration and careful thought at the present juncture. I welcome the announcement of the Government to utilize a part of our Sterling resources for the conversion of our present Sterling obligations into Rupee obligations. My only hope is that the Government would bring about this conversion in the light of the capacity of the Indian money market to absorb the Rupee securities. I would, in this connection, draw the earnest attention of Government to a strong feeling in the country that in view of the uncertainty about the future of Sterling, it is advisable that we should utilize part of these Sterling resources to purchase Gold so as to build up a large Gold Reserve and also partly to build up a reserve of an alternate strong currency such as Dollar. I would urge the same consideration to the disposal of the proceeds of our Silver sales which are at present being kept in the form of Sterling in London. India is a debtor country and her whole financial stability is based upon her ability to export larger quantities relatively to her imports and to maintain an export-surplus which would be equivalent in value to her total liabilities abroad. It is of utmost importance, therefore, that we should utilize this opportunity created by the war to partly convert our Sterling obligations so as to lessen the pressure which the Sterling remittances exert on our Exchange, and mainly to build up a strong Gold Reserve to withstand the difficulties which would arise at the end of the present war. I trust that the authorities concerned would show great caution in managing our currency during the present war and would see to it that the tragic tampering by executive action with our currency policy which deprived India of the major benefits accruing from the last war, would not be repeated during the present struggle.

One important aspect of our external trade to which I would like to draw the attention of Government is the possibility of exploring new markets for some of our manufacturing industries which have reached the stage of what is known as relative over-production. The present situation offers a supreme opportunity for Indian industrialists to forge ahead and capture some of the neighbouring markets for the manufactured and semi-manufactured products of our organized industries. The Government would be doing a great service to the export trade if they took a leaf out of the book of the mother country where the urgency and the importance of organizing a vigorous Export Trade Drive is increasingly being realized by their Government, and urge our Trade Commissioners abroad to provide all the information that they can regarding the possibilities of developing new trade connections in respect of some of our manufactured goods such as cement, cotton textiles and the semi-finished iron and steel products in these markets.

While commenting on the prospects of our export trade I should like to urge the importance of the necessity of developing a powerful Indian mercantile marine. The present war has made every maritime country realize the great importance of National Shipping for its economic prosperity in times of peace and for the defence of its coasts in times of war. You are all aware of the enormous sacrifices which the national shipping Companies have been compelled to make for establishing themselves in our coastal trade and it is sad to reflect that in spite of their enterprise, National Shipping has not been allowed to handle more than one-fifth of the entire coastal trade of India, Burma and Ceylon. It should be remembered that the Coastal trade is regarded as the preserve of its national shipping by every maritime country. As the Government of India have accepted their responsibility to help National Shipping in making substantial progress in participating in carrying trades, I trust they will use their influence in solving the existing deadlock between the Indian Shipping Companies and the British Shipping Companies so that the just and legitimate claims of the National Shipping Industry will be recognized and the onward march of Indian Shipping ensured.

Indian Shipping has practically no share in India's overseas trade. This is certainly a serious disadvantage to the large export and import trade of India—a disadvantage which has become more pronounced under the present conditions of the war. One should have expected that the efforts which the Scindia Company made in starting an overseas line by going into the Haj Service would have received all the encouragement and help which it needed and deserved from the Government of India. I am, however, sorry to say that the only occasion when the Government interfered to regulate and control a part of the overseas shipping was not utilized for furthering the cause of National Shipping Industry. I, however, earnestly hope that when the question comes up for further consideration, justice will be done to the cause of Indian shipping by allotting to its proper quota of the trade.

However much we may deplore the outbreak of war in Europe, its most important effect on Indian economy would be that it would give a strong and direct stimulus to the development of industries in this country. It is generally known that we owe our present industrial progress mainly to the fillip given by the war of 1914-18. It is of utmost significance, therefore, to the economic position and prosperity of this country that we should utilize the possibilities of further industrial progress which are inherent in the present situation. Broadly speaking, in my opinion our task is of a two-fold character. First, during the war, Indian industries are not likely to face as severe a foreign competition as they have to face under peace-time conditions, partly as a result of the dislocation in the normal trading and shipping conditions and partly as a result of the depreciation of the Rupee in terms of the foreign currencies, like Dollar, Guilder, etc. It would seem, therefore, to be an opportune time when the established industries can expand their production to fill up the gap caused by the decrease in imports and also to consolidate their position so that they would be better equipped to face foreign competition after the cessation of the present hostilities. Secondly, the increase in the level of prices and the partial disappearance of foreign competition would create conditions under which we can inaugurate new industries. The difficulties experienced by a large number of industries from the decrease in the imports of heavy chemicals and dyestuffs since the outbreak of the war, has vividly brought home to us the important gaps which exist in our present equipment. We have not so far tackled the problem of developing important producers' goods industries such as machinery-making or heavy chemicals, and every effort must be made to develop these industries during the present emergency.

Another source from which stimulus may be given for the establishment of new industries is the activities of the War Supply Department. The Supply Department is engaged in the task of making purchases in India on behalf of the Allied Governments. The large purchases made by the Department have already provided a great fillip to industries like woollen manufactures and woollen blankets and it is reported that the development of an Aluminium Industry is under consideration of the Supply Department. This Department is likely to collect valuable data regarding the possibilities of new industries and I would venture to suggest that the Department should make available to the commercial and general public such information in booklet form from time to time.

In regard to the establishment of new industries, the first and foremost difficulty of the Indian businessmen at present is the difficulty to secure adequate machinery for the floatation of new enterprises in the country. Government could come to their help by securing machinery from abroad at reasonable prices and by placing at the disposal of the industries whatever technical help and advice they need regarding the establishment of a new industry. In the second place, the probable duration of the war is a matter of utmost uncertainty and it is quite likely that an early cessation of the war would result in a serious dislocation in the time-tables of the proposed ventures and entail enormous loss to the pioneers in the field. The Government should, therefore, help the development of new industries by initial assistance in the case of important key industries as also by giving an assurance to the business community that in the case of new industries which will be established during the war, the Government would be prepared to help them by granting Protective Tariff for a reasonable period after the end of the war.

The supreme need of the hour, to my mind, is that the Government should take a long-term view of the situation and lay down specific plans for bringing about a rapid industrial development which would be commensurate with the requirements and resources of this country. It is nearly sixteen years since India adopted the policy of Discriminating Protection to her own industries. The period has witnessed the establishment and growth of a number of industries and India has become virtually self-sufficient in cement, sugar, soap, matches, etc. She has gradually expanded her output of such industrial products as iron and steel, cotton piece-goods, jute textiles, rubber goods (including tyres), chemicals, medicines and drugs, tobacco and cigarettes, paper (including news print), starch, simpler types of electrical equipment (bulbs, switches, fans), and many other articles. I am glad to say that plans for floatation of companies for the manufacture of machines, bicycles and motor cars are under the active consideration of some of the eminent Indian industrialists. In this connection, it is interesting to note that the establishment of an industry for the manufacture of aeroplanes is being actively promoted in the dominions of Australia and Canada, and special Air Missions from the United Kingdom have visited these countries to give technical help and advice to the organizers of the proposed enterprise. On the whole, it is a safe generalization that we have so far lacked a vigorous attempt to develop capital goods and producers' goods industries such as machine-making, and important key industries including the development of National Shipping Industry. Every part of the British Commonwealth has accepted the necessity of its own National Shipping as distinct from British Shipping. The Australian Government has not only encouraged the establishment of a

Shipbuilding Yard in Australia, but has decided to give it a bounty of nearly £10 per ton for building Australian ships in Australian Yards. In this connection, I am glad to say that the Scindia Steam Navigation Company have under consideration a project for the construction of a shipbuilding yard at Calcutta. As India has excellent facilities for developing an Indian Shipbuilding Industry, I confidently trust that the Government of India would come forward to render all the assistance which this key industry deserves.

Having set forth my ideas pertaining to the problem of rapid industrialization, the hour for which is struck with the outbreak of the war, let me say that the outlook for Industry is made brighter by the helpful attitude and endeavours of Hon'ble The Commerce Member. I wish to take this opportunity to express our warm thanks to Sir A. Ramaswami Mudaliar. Indeed I am heartened by his recent pronouncement in the Central Assembly. He stated that so far his Department was concerned their ideas were running in the direction of liberalization of the conditions regarding protection laid down by the Fiscal Commission, so as to encourage the production of commodities during the war, and that the Government would take care to see that they were no longer open to the charge that during the last war several industries came into existence which were of greatest assistance in the prosecution of the war, but that after peace was restored they all languished and many investors were ruined. The Government would now see, he further added, that if they encouraged the development of industries during the present war, those enterprises will not be left high and dry after the war ended.

Before I conclude, I would like to emphasize the supreme urgency of utilizing the situation created by the war for conserving, safeguarding and promoting the fundamental economic interest of this country. I have no doubt that the Indian industrialists and businessmen will be only too willing to make their contribution to the realization of this objective which would lead to the permanent enrichment of this country. I have to appeal to the Provincial Governments and the Government of India to realize the primary duty which they owe to the masses in this country and to give every help in this task, bearing in mind the wise words that 'in their prosperity lies their strength, in their contentment their security and in their gratitude their best reward.'

I thank you, Gentlemen.

Mr. V. K. Dhage (Maharashtra Chamber of Commerce, Bombay): Mr. President, before you proceed with the items on the agenda, I should like to ask you one thing. We had given notice of a certain resolution with regard to the registration of certain Chambers under the Societies Act, and I should like to know what has happened to it.

President: This question was considered by the Committee yesterday, and it was also considered at the previous sitting of the Committee, and they have come to the conclusion after studying all aspects of the case, they will make further inquiries into the matter. It was expressed that there were certain disadvantages by registering the existing Chambers under the existing Registration Act. We have addressed all the Directors and we are waiting for their replies, and as soon as those replies are received, the necessary action will be taken. So it was thought that a discussion of the subject at the general body meeting will not be very helpful at the present time. I may assure you that the Committee will take all steps in this matter and do the needful.

President: Gentlemen, with your permission, I shall take the second subject on the Agenda, the Adoption of the Annual Report and Statement of Accounts for the year 1939. The Annual Report has been printed and supplied to all the member bodies in time, and if any Member wants to say anything, he is quite welcome to do so, but I would request him to be very brief and not to take too much time.

Mr. Kapadia: May I know why the annual subscription of something like 11 bodies is still in arrears?

Secretary: The fact is that some of the member bodies begin their subscription year in January, and for some of them the year begins in October or November, and so some of them are always in arrears. The amount shown here only indicates the amounts received. Out of the 11 member bodies, only two have their subscriptions in arrears for over 2 years.

Mr. Kapadia: Mr. President, there is one item in the Committee's proceedings (Paragraph 67) which relates to proposals for an Indian Bank Act. It appears from the statement in the Report that a sub-committee has been appointed consisting of certain gentlemen to consider the Reserve Bank's proposals. In view of the great importance of the subject, there is a strong feeling that before the Federation sends out its proposals to the Government the views of the member bodies should be invited on the subject. Such procedure was adopted when the revision of the Indian Companies Act was under consideration. Proposals for the amendment of the Indian Banking Act are no less important, and I submit, Sir, that before any views are submitted by the Committee of the Federation with regard to this important piece of legislation, the views of the member bodies should be invited so that the sub-committee of the Federation may have an opportunity to acquaint themselves with the views of the members on this important subject.

President: Mr. Kapadia, your suggestion is certainly very good. A circular will be sent round to all the affiliated bodies requesting their views on the matter ; and on receipt of their views, the matter will be further considered before addressing a communication to the Government.

Mr. K. L. Narasimha Rao (Andhra Chamber of Commerce, Madras) : Mr. President, I congratulate the Committee on the good work they have done, but I have some concrete suggestions to make so that the authoritative opinion of this body may gather strength and carry weight. The first suggestion I should like to make is this. We are holding the annual sessions of the Federation every year in Delhi, and I suggest we should hold our annual sessions every year at least in the major capitals of our provinces so that the business community of each province may get into touch with businessmen of other provinces, instead of a few delegates meeting each other in Delhi year after year. Not only that, it will also give an impetus to the province in which the sessions will be held. Otherwise very few people know generally what is being done by the Federation. As I read the constitution, the Committee can hold its meetings wherever it likes or at any place it chooses. So the constitution does not stand in the way of adopting my proposal of holding the annual sessions at any place the Committee chooses.

Then the second suggestion is about the constitution of committees and personnel. For instance, the Banking Bill is a very important piece of legislation, and what do we find ? The *ad hoc* committee consists of a few people, two from Bombay and two from Calcutta, and none from other provinces. The small banks are functioning in large numbers in every province, particularly in the South and Bengal, but there is no representative of these small banks on this *ad hoc* committee. Therefore, the Committee should see whether they represent the views of all the small banks also and of all vested interests. The Banking Bill is going to kill all the small banks....

President: Mr. Narasimha Rao, you are not to speak on any particular subject now.

Mr. Narasimha Rao: My suggestion is that whenever they constitute committees, they must take into consideration these seemingly small things. Another point I would like to make in the constitution of these is—I do not know whether it is quite relevant—I mean in constituting the main committee itself, each province or a major part of it should be represented on the main committees while at the same time adequate representation should be given to the industries which will be dealt with by the main committee....

President: You are entering into the question of constitution. This is not the occasion for it....

Mr. Narasimha Rao: If you will kindly hear me properly, I do not think you will think that I am transgressing the limits of the discussion in regard to the policy pursued in appointing our main committees. In order that the main body may be an authoritative body and it may have adequate representation from all provinces, all these points should be kept in view in constituting the committee, because there is a strong feeling....

President: This is not at all relevant to the discussion of the Report for last year.

Mr. Narasimha Rao: Then the third thing I want to point out is, many important problems, like the Banking proposals, have been left out. This is the impression left on the minds of a large number of member bodies and others. We would like the main committee to bring its report on all important questions to the notice of the general body so that we may all discuss such questions at the conference instead of a few member bodies being consulted in an isolated manner. Similarly, very important resolutions have been given notice of like the nationalisation of telephones, public utility companies and Railways and so on. Should we not in this Federation discuss to what extent the nationalisation should go or to what extent it is harmful to the development of our industries ?

Should such important questions be shelved, and is it not worth while placing on the agenda ? Similarly, there are many such things relating to questions of currency and exchange, nationalisation of industries and so on. These are all vital problems and they ought to be discussed threadbare by the Federation from year to year if necessary, and not simply collect the Resolutions saying 'I support this company because it is started by such and such people and so it is worth while supporting it.' While I don't say that these things should not be done, it is idle to associate ourselves with only one thing and dissipate our energies instead of concentrating ourselves upon the main problems including big as well as small.

Unless we take all these matters into consideration I am afraid we will not be representing the interests of all branches of trade, commerce and industry, both big and small.

The Annual Report for the year 1939-40 and the Statement of Accounts for the year 1939 were then adopted.

President : The Federation will now take up the Resolutions. The first resolution deals with the Excess Profits Tax Act and is to be moved from the Chair. I move :

EXCESS PROFITS TAX BILL

A. This Federation strongly protests against the imposition of 50 per cent tax on excess profits by the Government of India, under the Excess Profits Tax Act, as, in their opinion the proposed levy will affect adversely the development of industries and commerce and will check the flow of new capital badly needed for financing present and new industries.

B. The Federation is further of the opinion that such a levy at the present time, when the industries and trade had just begun to recover and conditions were ripe for an industrial expansion in the country, will strike at the very root of industrial and commercial development of the country.

C. The Federation wishes, in this connection, to point out that conditions in India are in many respects entirely different from those prevailing in Great Britain and it is high time the Government of India fully realise that the best interests of the people of this country are not likely to be served by following the wholesale

theories or the policies that may be found suitable in the case of United Kingdom.

The Resolution was unanimously adopted.

President: Resolution No. 2 will be taken up tomorrow as the proposer and the seconder are not well.

Mr. Durgaprasad Khaitan (Indian Sugar Mills Association, Calcutta) : I beg to move :

PURCHASE OF WAR SUPPLIES

The Federation requests the Government of India to resume the practice of advertising their supply requirements in the Indian Trade Journal wherever possible and urges them to keep in view the necessity of informing the public that the war time supplies are purchased with due regard to the interest of Indian industries by a periodical publication of how the various tenders were dealt with and the supplies met.

You are aware that on account of the war a very large quantity of materials are being purchased by the War Supply Board, and the method they have adopted is to get the supply from the various persons who approach them or whom they know. They have stopped the usual method adopted by the Indian Stores Department, namely, of calling for tenders or issuing the necessary advertisements, and have thereby put the interests of many industrialists who would otherwise have made their tenders, in jeopardy. This question was raised before the Central Assembly and the method of making purchases as well as the personnel of the officers, namely, liaison officers and advisers, appointed by Government in this connection, was questioned. A certain reply has been given but that does not satisfy the wishes of the industrialists of India. In fact, we do not know with whom orders were placed, how the orders were placed, and of what quantity. And for the industrialists to remain in darkness like that is a thing which the industrialists cannot encourage or support. If there be any emergency in respect of any particular matter, we do concede that in that case the Government will be at liberty to make their purchases in the easiest and quickest manner possible. That is why we have used the words " wherever possible ", in respect of any emergency that may arise in the course of this struggle. But, otherwise, there is the machinery of the Indian Stores Department of which Sir James Pitkeathly was in charge. He knows which industrialists are likely to make tenders and that machinery is working properly, and there is no reason why for other ordinary materials—just for example, only lately they placed an order for a vast amount of mosquito-net. There are piecegoods, or other woollen and cotton goods—in all these cases they could have easily issued an advertisement or given information later on in the Indian Trade Journal with whom and when and for which they have placed an order, so that we may be satisfied that we have had an equitable distribution given to all the industrialists interested and that they have received justice at the hands of the Supply Department. You have mentioned in your speech as to the encouragement that the industrialists are likely to receive on account of these orders—orders which went to the tune of about 14 crores in the course of four or five months. In fact, the Finance Member in his speech stated that this ought to be a great fillip to the industry. If that be so —and you have also mentioned in your speech how the industry developed as a result of the previous war—if that be so, and the question is so important, then I do think that we will be justified in asking Government that any war supply, for which there is no serious emergency in any particular case—it ought to be advertised and due opportunity must be given to all the industrialists concerned and satisfaction given to every one concerned that justice has been done in giving the orders. A similar question was raised in England also. There they have appointed agents for making purchases, and the question was raised as to the way in which this question was being handled there. The Board of Trade and the Supply Minister have evolved certain methods in England by which they want to satisfy the demand of the industrialists. Likewise in India also, when, as it appears, the war will be a prolonged one and Government is likely to make large purchases for supply and also to meet the needs of Singapore, the Middle East, the Near East, and also for supply to France and other Allies—it is necessary that a proper method should be evolved, and the best method which has always received the satisfaction of all concerned is the advertisement in the Indian Trade Journal, and that method should be continued. With these observations I commend this resolution for adoption by this Federation.

Mr. M. M. Bhat (Association of Indian Industries, Bombay) :

Mr. President and Brother Delegates,

I have great pleasure to rise to second this Resolution which has been so ably moved by my friend Mr. Khaitan. It is no doubt deplorable that the Government of India should discontinue the wholesome policy of purchasing their supply requirements by open tenders advertised in the Indian Trade Journal. I can well realize that war conditions being different may necessitate some modification in the original practice of inviting open tenders on certain occasions. It may not perhaps be in the interest of the Allies that the Enemy should come to know anything about the supply requirements, and I agree that an advertisement to this effect which might be taken undue advantage of by the Enemy or his agent should be avoided. But Government should not forget to give due regard to the interests of Indian industries. It is essential therefore that the Government of India should invite offers for their war requirements which will be in fairness and justice to the Indian manufacturers, and will be in the interest of Government themselves. And unless, therefore, due publication is given in the Trade Journal the Indian manufacturers will remain absolutely in dark and Government will not receive competitive rates. I would here give an example in which tenders were invited. They advertised that tenders would be opened before the tenderers on the next day. The tenderers went but the envelopes after being opened were kept as a secret by the officers. No prices were given to the tenderers. If such practice is followed, what is the advantage of an advertisement asking tenderers to be present when opening the tenders ? I, therefore, earnestly request the Government of India to resume at an early date their old system of advertising the tenders for their requirements of war supply in the Indian Trade Journal. I firmly believe that by giving wider publicity to supply requirements the Indian manufacturers will be given the opportunity to submit their tenders, and will be able to secure a fair portion of supplies. I may further emphasise that due consideration should be given to Indian industries, particularly small ones, as this would only naturally act as an incentive to India's indigenous industries. If such encouragement is given the result, on the whole, will be an economic gain to the country.

As regards giving encouragement to the indigenous articles, I would like to draw the attention of Government to the recommendations of the Stores Purchase Committee. The principal object of stores purchase policy that was recommended by this Committee was to take all steps to encourage and foster Indian industries. Government should not depart from this policy and I may add that instructions should be given to Government Officers concerned to buy Indian-made articles in preference to the imported ones, and in case the indenting officers go for the imported articles in spite of the availability of Indian articles of equal quality, the reasons for such purchases should be published in detail for the information of the public. I would therefore urge upon the Government of India to modify their present war purchase policy in such a way as would enable the Indian manufacturers to secure a due share of the total purchases made through the Supply Department. I may also be permitted to warn Government against any undue advantage that might be taken of by the stockists of foreign articles in India while they place orders through the Supply Department. The discontinuance of the open tender policy is likely to give an indirect encouragement to such stockists in India. I have no objection, however, to Government buying those non-Indian articles that are not produced in this country. At the same time, it is the duty of the Purchase Department to find out sources of such supplies in India.

As you are all aware our country affords a very vast field for starting various industries. Her potentialities are too well known. India is rich enough to produce various requirements of the Supply Department, and I should say that all concerned should spare no efforts to develop such industries. If there are no existing factories at present to manufacture the required articles in India, such factories ought to be started or due encouragement be given by Government to start such factories. This would enable Government to obtain the required articles without any difficulty at the right time, as otherwise, they may not get even a small ordinary article. I may give you an example of an article like horse shoes, a very small article indeed, which were being imported from the United Kingdom. These could not be obtained in the required quantity during the last War, and consequently, had to be procured from India, and that too, from the villages, as the village blacksmiths only used to manufacture them. I wonder if any factory of the sort exists even today in India ? I may take the privilege to mention that had the Government taken sufficient steps to start such industries or had they even cared to place the village industries on a systematic basis, the circumstances would have been quite different today. It is therefore, I believe, the bounden duty of the Government of India to find out ways and means for the development of such industries in India as would make her independent of the various products that have to be imported from foreign countries.

I may add a word before I conclude, and say that there is every possibility of Government being obliged to purchase supply requirement worth not in lakhs but in crores of rupees, if the present War lasts long. It will not be therefore out of place for me to strike a note of warning to the Government of India to see that the abuses and grievances connected with the handling of supplies by the Munitions Board at the time of the last War are not repeated. The paramount interest of the country requires that these purchases should be made with foresight and wisdom, and I may say that the mistakes committed during the last war, of buying indiscriminately and without any consideration, should not be repeated, and the stocks should not be piled up which would result in economic loss to the Indian Exchequer. I believe that periodical publication of how various tenders were dealt with and their supplies met will enable the public and the manufacturers to judge that the purchases are equitable and economically made by the Government of India. With these words, I second the Resolution.

Mr. R. R. Gupta (Merchants' Chamber of U. P., Cawnpore): I rise to support the Resolution which has been so eloquently moved by my friends. In the Resolution we are going to record the opinion of the Federation that all is not well with the purchases that are being made by the newly created machinery of the Central Government. I believe there is a superstition not to whisper a word about what the Government have done towards the prosecution of the war. Politics apart, I do not think anyone in this House will care to accept such a superstitious complacence with regard to the purchases of Government. In the Resolution we are stressing the following points. Firstly, in the absence of proper publicity we do not know what are the requirements of Government, secondly we have a feeling that we, the Indian section of the manufacturing interests are not getting our due share at the hands of the purchasing agents. Thirdly, Sir, we do not know who are the parties who offered their goods for sale and who are the parties who virtually got the orders. I daresay in ordinary circumstances even the bureaucratic Government of India would not have dared to place the contracts with sealed envelope behind closed doors. If they would not have done it, I ask you what is the excuse for the Supply Department with regard to the war purchases. Whatever their object may be in treating these as sacrosanct, the Indian commercial community feel that they have not been given equal opportunity to meet the requirements of

Government. Many of us have been entertaining lot of heartburning from the very start, since this department started functioning. Sir, we from the Merchants' Chamber of the United Provinces did try to get into grips with the Supply Department and in a letter dated the 13th March, the Department wrote to us that there had been no deviation from the methods of publicity and to this surprisingly unqualified statement was added a small reservation, namely, that there were exceptions necessitated in particular circumstances by considerations of urgency or of secrecy. Now, what are we to say to such a statement. I do not know whether the English language is meant to convey the idea or to conceal the idea. Whatever it may be, of the latter capacity of the language we find here an admirable specimen. Now, Sir, this specious consideration of secrecy and urgency has been put forth. If the bulk of the orders are to be treated in the nature of secret and urgent purchases, I ask, Sir, why the Supply Department should pretend that the normal procedure of publicity has been maintained. If exceptions outweigh the rules, then it is sheer hypocrisy to lay one's fingers on such assumptions. Again, Sir, what secrecy can attach to purchases in the open market. Large orders for tents have been placed. May I know what is the secrecy attached to those orders. Can it be argued that the orders for tents were in the nature of secret purchases. Similarly, the argument of urgency is also untenable. Large orders for hemp rope and tent fittings were placed at a very early stage of the war. About the orders for sand bags, it can be said that they were placed with the full knowledge of the unit interested in the business and though it represents a good percentage in terms of money of the total orders placed, still I think for the orders of remaining articles, the manner in which they are placed requires the consideration of Government, with a view to improve it in future. With these words I have great pleasure in commending the Resolution for your acceptance.

***Mr. M. Nauman**, M.L.A. (Central), (Muslim Chamber of Commerce, Calcutta) : I rise to support the Resolution before the House. I need not take up much of the time of the House as my friends have convinced the House of the necessity of pressing this matter on the attention of Government. In this connection I may mention that there is a feeling in the country that the Supply Department is maintaining more or less an attitude of secrecy in the way in which it does its business. I would like to tell you that the Members of the Central Legislature put questions on this subject but the replies were unsatisfactory. To my question the Honourable the Leader of the House said that (inaudible) orders of the value of Rs. 5,000 and upward were treated in the ordinary way. He did not make any mention of exceptional cases. We informed him that there was great resentment in the country. In reply to one question of mine, the Government of India said that the value of the contracts was about Rs. 9 crores odd but they did not at the same time like to disclose what countries placed the order and for what quantities. We have been given to understand that mostly the advice of liaison officers and advisers is accepted. Members of the Central Legislature brought this matter pointedly before Government during the discussion of the Finance Bill. The Government of India is not fully alive to the situation and the feelings of the country as voiced not only by one or two members but by the entire section of the elected members of the House who were present at the time the Bill came up for discussion. I think that in many countries, including the United Kingdom, it is the Board of Trade of the Chambers of Commerce who are the guiding factors in the purchases made by Government but here we find that importance has not been attached to Indian organisations as to European organisations. We have no prejudice against the latter but at the same time we claim that we have not been allowed to take the same part in the matter of the industrial improvement of the country. With these few remarks, I support the Resolution.

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* Speech not corrected.

President: Gentlemen, the Resolution about the purchase of war supplies has been moved, seconded and supported.

After asking those in favour and against to raise their hands, the President declared the Resolution carried.

The Resolution was adopted unanimously.

Mr. Ratilal Mulji Gandhi: Sir, I beg to move the following resolution:

PRICE CONTROL

The Federation reiterates its conviction that, having regard to the fact that the Indian agriculturists have suffered a period of unrelieved depression during the whole of the last decade, there is no case whatever for the control of prices of staple agricultural commodities at the present juncture in India. In this connection,

they urge Government to remember that in case of exportable agricultural produce, the prices of which are determined by international factors, control of prices without being effective would deprive the Indian cultivators of the benefit accruing to them from the changed conditions of demand and supply in the world markets. The Federation is, therefore, of the opinion that Government should not deny this legitimate opportunity to the cultivator to average up his losses of the past ten years.

The Federation appreciates the desire of Government to take all measures for the successful prosecution of the war, but they wish to emphasise that the Government should see that while purchases are being made by the Controlling authorities on behalf of the Allies, the Indian cultivator receives the same consideration as his brother-cultivators in the Dominions.

In commending this Resolution for your acceptance, I find myself at some advantage as this matter has been discussed by, and is receiving the attention of the great commercial associations of the country. Our Federation had represented this matter to the Government of India at the proper time and in a proper manner, and we have now given this question the first and foremost place among the problems we have to discuss, which shows really the importance of the subject. The Resolution points out that there is no justification for the control of prices of raw commodities or as it is put in the Resolution, staple agricultural commodities. It also points out that the already impoverished and poor cultivator should not be denied the opportunity afforded by the war for making good—to however small an extent—the loss he had incurred during the last several lean years, and that the Government of India should watch the interests of the agriculturists properly just as is the case with the Dominions of the British Commonwealth. These propositions are, to my mind, so incontrovertible, that any national or responsible Government will be bound to accept them. But the Government of India is, in this matter as well as in various other matters of importance to our country, bound to the apron strings of what we call the Imperial Government. The Governments of the Dominions of the British Commonwealth are free to determine their economic policy and have some voice in moulding the Imperial structure. It has also been remarked that the Governments of British Dominions take care to get adequate compensation for the Empire loyalty. But India is, as we all know, still the hewer of wood and the drawer of water. I am sorry to have to say this which may be described by some as politics. But I am doing so because you will find that there is a reference to the British Dominions in the last paragraph of the Resolution. I may also say that situated as we are, politics cannot be separated from any important question of agriculture, trade and industry of our country.

If we ponder a little further over this matter, we shall find that the general trend of the policy of the Government of India shortly after the outbreak of the war has proved to be detrimental to the interests of our country and the effect of the direct and indirect measures adopted by the Government of India has been to depress the prices of raw commodities. At first, the Provincial Governments were authorised to check the prices on the plea of profiteering. Then, proposals of price control were discussed at various Conferences which have given rise to apprehensions in our country. I would also like to make a passing reference to the indirect measures which will have their bearing on the next Resolution that relates to the restrictions on exports and I hope my friends who will be speaking on that Resolution will excuse me if I somewhat traverse on the field they will have before them. The indirect measures which have contributed to the decline in prices are the shipping restrictions, restrictions on exports to neutral countries and so on. There is also the control of prices by the special machinery set up by the British Government to secure the war requirements of the Allies. These factors have led (and I am afraid may further lead) to the accumulation of stocks and adversely affected the prices of the raw commodities. What with the Excess Profits Tax and increase in railway freights and rates and the implications of the fiscal policy of the Government of India, the confidence of the commercial community about the revival of trade, agriculture and industry in the future is also shaken to a very large extent. It is no wonder, therefore, that people have begun to feel that all this is being done with the sole purpose of buying the war requirements of the Allies at a cheap price, without due regard to the interests of the people of this country.

You will have an idea of the extent of fall in prices of raw commodities from the fact that the prices of raw commodities such as cotton (Broach, Candy), wheat, groundnuts and linseed which in December 1939 were, respectively, Rs. 332, Rs. 5|8|6, Rs. 49, and Rs. 9|15 are at present quoted at about Rs. 250, Rs. 4|1, Rs. 38 and Rs. 7. This fall is somewhat more than 40 per cent. I may here mention that a representation was made by the Indian

Merchants' Chamber of Calcutta the other day, wherein they have pointed out the typical case of the fall in the price of linseed which has gone down by 40 per cent and that there was no alternative market for the same. Gentlemen, you will notice that in the first two months of the war there was some steady and significant rise. In the next two months there was a steep rise but thereafter there has been a very sharp and unbearable climb down in all the prices. This has resulted, if I may say so, in killing the spirit of buoyancy which was witnessed in the early months of the outbreak of war.

There was and there is much loose thinking about the term 'profiteering' and legitimate profit earning. I do not think I need labour this point and try to explain to you at length the exact difference between these two terms, but somehow or other the Government of India have put the interpretation on 'profiteering' in such a manner that they seem to advocate the policy of price control on such a plea.

Now, Sir, everybody knows that prices of agricultural commodities in India were for several years preceding the war definitely very low and it was rightly conceded that without an improvement in prices there would be no hope of Indian economy turning the corner. Therefore, every rise in the level of prices after the war must be considered in relation to this. During the last decade when the depression started, the Indian cultivator was not even able to pay the Government dues, but the Government could not see its way to help him. The staple commodities registered a fall in the level of prices and the wholesale price moved to 82 in 1930—taking the price of 1929 as equivalent to 100—to 61 in 1934, 64 in 1936 and 67 in 1938, while the prices in other countries were more or less steady. India is, therefore, in bad need of improvement in her commodity prices after such a disastrously long stretch of years of low prices, and it would, therefore, be undesirable to control any tendency for agricultural products to rise as such control would be against the interests of the primary producer in the country.

The Honourable the Finance Member has, in his last Budget speech, stated that "Taking the category of chief articles of exports as a whole, their prices today are some 40 per cent higher than they were just before the war broke out." But, granting the statement to be correct, despite the recent rise the prices of raw commodities such as cotton, wheat, groundnuts and linseed have yet not reached the level they did in what is known as the commercial boom year of 1928|29 as will be seen from the actual figures. The prices of cotton (784 lbs.), wheat (Punjab white, Karachi 656 lbs.), groundnuts (Bombay 560 lbs.) and linseed (Bombay per cwt.) were in that year Rs. 417, Rs. 45|4, Rs. 60|11 and Rs. 10|11 respectively, whereas their present prices are about Rs. 250, Rs. 28, Rs. 38 and Rs. 9 respectively. If there was no need to control prices then, what justification can there be to do so now when they have not even reached that level ? Is it again, may I ask, fair on the part of the Government, which could not help the agriculturists in times of depression to come forward directly or indirectly at this stage to cry halt to the rise in prices ? Any check in the rise in prices of commodities which may be usefully sent abroad would further amount to giving away a free gift to the foreigner to the extent of the fall at the expense of the cultivator who is thoroughly down and out. The conditions in India and England are also different in many respects and it is really high time the Government of India gave up their practice of borrowing wholesale, the theories and proposals adopted in that country.

Sir, I may give a piece of recent information to this House. I have received a telegram from my Bombay office which more or less amounts to the restriction of exports. This information has also been corroborated by my Madras office. The telegram says : "Customs received telegraphic instructions Stop all neutral American countries shipments pending all seeds further instructions." I am told that this is applicable to future business. If it is going to be applied to the business that has already taken place, then the consequences will be serious. We should really treat this matter as urgent. My desire is that this matter should be taken up with the Government of India at once, so that those who have got large commitments by way of their sales in foreign countries may become careful.

I may also say, from reports that I have in regard to the price movements in Bombay, that this unfortunate step has created a great panic in markets. The prices of these commodities have gone down considerably. The price of linseed has gone down by about six or seven annas a maund. In our, i.e., Federation's representation on Price Control, we have made reference to France. In a country like France which is actually engaged in war just as much as England agricultural products are exempted from price control. So far as my knowledge goes, there is no agricultural country in the world whose government have even contemplated

—much less executed—measures of the kind adopted in India for controlling the prices of agricultural products.

I have one more point to refer to before I resume my seat. It is argued and said that the price control measures are necessary in the interests of the consumers and wage-earners. Their voice must be heard and due weight given to it, but I submit that that should not be done at the cost of the poor agriculturists who are in the greatest need of help not only from the Government but from everyone else in the country. Though we appreciate the measures for the successful prosecution of the war, and even though an emergency exists on account of war, I think it is not too much to ask the Government to help the agriculturists by adopting such measures as would not depress prices of agricultural products. I was going to give some figures as regards exports but as my friend, Mr. Lalji, will be moving a Resolution on restriction of exports, I do not propose to do so now. I would certainly like to read one small portion pertinent to this Resolution from the representation made by the Indian Chambers of Commerce, Calcutta.

"The move of the Government of India to bring about artificial condition of depression and keeping the purchasing power of the people low and consequently their standard of living in order to enable the United Kingdom to buy essential raw materials needed for war purposes at as cheap prices as possible is open to serious objection. The Government of India can be said to have framed their economic policy as a supplement to the war economy of the allies, in subordination of the wider economic interests of the country."

Sir, in the end, I support those sentiments whole-heartedly which you have expressed in your speech on this subject. There is a typical instance of how the interests of the agriculturists are not looked after properly. In my native town, that is in an Indian State, there is a river. In the ordinary course of things and in normal times, that river remains dry, but in rainy season when there is natural flow of water, the Government of the Indian State—I do not want to mention the name of the State—from two or three miles upstream takes away the water to Government plantations with the result that the inhabitants of the town are left without any water. This is quite analogous to the Government of India's policy in controlling prices. With these words, I commend the Resolution for the acceptance of the House.

President: As there are several members who wish to take part in the discussion on this Resolution, I request the speakers to be brief in their speeches so that as many Members as possible might be enabled to take part in the discussion.

***Mr. Hari Shankar Bagla** (U. P. Chamber of Commerce, Cawnpore) : Sir, the proposition which I have the honour to second is one which in some form or other, I think all the constituent bodies of the Federation have had occasion of examining in the recent months. I believe with the single exception of the Punjab Government, every provincial government in less than a month's time from the outbreak of the war attempted, with varied degrees of crudeness, measures with the object of putting down what was described in official parlance as 'profiteering' and I think almost all the important bodies represented in the membership of the Federation also set their face against this high-handed official way of dealing with the so-called profiteering on the part of wholesale and retail sellers. I think the climax was reached in the province of Bengal when in the second week of the war, simultaneously with the publication of the Defence of India Rules, the Bengal Government took peremptory action in remanding to lock-up a number of esteemed businessmen of Calcutta. Fortunately, much of the senseless campaign against high prices has by now been allowed to ebb away but the official policy is still lurking that vigilance must be maintained not to allow prices, particularly prices of agricultural goods, to go up in any marked manner.

Now, let us analyse the situation as it was created in the commodity markets on the outbreak of the war. Was the police interference justified or had the provincial governments any reason to feel alert at the short-lived spurt in the commodity prices which, after all, did not last for more than a few weeks ? I think the one answer from all corners of this House would be an emphatic no. With the outbreak of the war, came a rush of additional orders from abroad for the Indian jute industry for supply of sandbags. Private foreign demand also increased resulting in the situation that the prices of raw jute went up phenomenally by about 100 per cent. I am not concerned at the moment in stating if the prices were justified. The situation in jute trade was sufficiently uncertain and the new orders undoubtedly represented an abnormal demand and conditions were fully ripe for speculation. The Bull speculators in the jute market made money and the speculation when the game was played out in that market soon spread to other important commodity markets. This is the whole story. The situation was one of largely psychological making which the Bulls in all forward markets exploited. No police arrest could cope with the operation of the Bulls and even the legislative measures taken by the Bombay Government suppressing *teji mandi* transaction in cotton did not prove effective. To us, therefore, there is no cause for amazement at this failure. So long as public expectations remain sufficiently wrought up, the Bulls are bound to prove irresistable.

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* Speech not corrected.

Other factors were also at work in the initial period. The serious shortage of freight made itself tremendously felt and importers became nervous as to the course of future supply. There was a tendency of buying in advance, leading to an artificial fillip in buying activity and overstocking of goods. No Government in such a situation regularises prices by pure coercive measures but this is exactly what was attempted.

In this Resolution, we are chiefly criticising the Government policy as directed against the regulation of agricultural prices, as it is with regard to these prices that the Government are still likely to view with concern any marked upward movement. The point is how even with regard to agricultural prices, the Government should disfavour an upward movement. I rule out the view that there is nothing incidental to war conditions that the prices of agricultural goods should rise. It will be observed that such a rise did not take place in the first half of the last European war to any appreciable extent. If that was the case 25 years ago even when India was sending supply to Mesopotamian campaign, I do not know how should a rise in agricultural prices be feared as anything incidental to conditions of the present war. If prices do rise appreciably in the present war time situation, it must be assumed that the rise is incidental to other factors of non-Indian origin and only indirectly connected with war. Under such conditions, why should provincial governments make it their business to see that the growers or even the middlemen do not reap the advantage of higher prices.

The British Government have had reasons to check prices but not the provincial Governments in India, or even the Central Government. India is self-sufficient with regard to her foodstuffs and practically most of her agricultural raw produce. That is not the case in the U. K. Moreover, the price control in Britain is only a subsidiary policy to the scheme of food rationing being enforced by the British Government. What is still more important is that the British Government have not thought fit to control prices of foodstuffs by arbitrary decisions. The Government in the United Kingdom has been subsidising the food trade at the rate of one million pounds a week to keep prices of foodstuffs on a stable level. The provincial Governments in India have been trying to stabilise food prices merely by putting their police officials to frown at the retailers and to put manufacturers and wholesellers under their lock-up. The action can only be described as atrocious. The antics of the Government of India to control prices are explained by the fact that their sole object is administrative and not economic. Their whole anxiety is to keep down prices so that there may not be a repercussion of the higher level of prices on the salary and wages bill of the government servants. A policy of price control from an economic point of view is not at all within the ken of the official authorities for if it were, it is hardly thinkable that during the long years of agricultural slump, Government would have taken some action to put up the prices in the interest of the agricultural producers. If these producers were left to shift for themselves during the trying years between 1929 and 1933, I say it is absolutely unjustified that Government should now make any endeavour to curb the rising tendency of prices, particularly, the prices of agricultural produce. As I have already pointed out, the speculative fever cannot keep price at an uneconomic level for more than a few weeks and there is nothing in the present condition of war in relation to its Indian reaction why prices should be influenced by purely domestic factors, and international movement in prices, if any, must, therefore, be allowed to be fully reaped by the teeming millions of men in India behind the plough. We, as a business community, lay so much emphasis on this as with the increased buying capacity of masses, we obviously stand to have better trade all along the lines.

With these words, gentlemen, I second the Resolution placed before the House for its acceptance.

Mr. V. K. Dhage (Maharashtra Chamber of Commerce, Bombay) :

Mr. President and Friends,

This resolution is a simple one and does not need much of explanation or elaboration. But I think it would be worthwhile to read the Barometer, as it were, in the matter of Price Control Policy of the Government of India.

Gentlemen, you must be aware that in September last, even before there was any shooting in England or by England on the continent, prices in India began shooting up at the mere fact that Britain declared war on Germany in alliance with France. Every small trader in the country had his day dreams and had the vision that it was the God-sent opportunity for him to be a Birla or Hukumchand or any other big potentate. What could be more frightening to the Government than this shooting up of the prices of raw materials in India by 200 or 300 per cent in certain cases? So the Government of India had to come out to protect the interests of the consumers—the poor consumers, I mean, and not the consumer for the successful prosecution of war. And the Government of India had enough reason and sufficient justification to launch upon the project of control of prices—by the untoward incidents of looting of the grain shops in many places all over India. News began to pour in that people had started breaking open the shops of the grocers—poor grocers—in Ajmere, Jubbulpore, Jaipur, Akola and other places. Since such was the case the Government of India called a conference immediately at Delhi. That was in October last and after a careful and mature deliberation they came to the conclusion that, so far as agricultural produce was concerned, it was undesirable to check the rise in prices and that agricultural produce having not yet recovered fully from the depressed state in which it found itself some time ago, the agriculturist was entitled to a rise in prices. But then this large heartedness and benevolence on the part of the Government of India towards the never cared for agriculturist could not continue long and soon they began to feel that such rise in prices would militate against adequate war effort, and of course they said that such rise would bring about serious social discontentment.

So, Gentlemen, we began to have a taste of that protection of social discontentment in the form of an ordinance in Bombay in December last, besides a Controller of Prices with a consultative committee composed of enlightened gentlemen from the mercantile community who are always ready to help the Government, to help and assist him in the arduous task of controlling prices. Option sales in one of the money crops was banned and restrictions were imposed in the matter of prices. Rs. 5 was the maximum rise that could be allowed in any day and the traders in cotton were not only to register their names but also to supply information to the Government regarding the amount of business done by them etc. And all such restrictions went to cripple the trade in that principal money crop of India. But all this was done, as explained very carefully and meticulously by his Excellency the Governor of Bombay in the Statement of Objects and Reasons, in the interest of the cultivator—the consumer having been forgotten. But, gentlemen, how could our veteran Sir P. Thakurdas swallow this preposterous statement ? He proved very shortly after that that it was not in the interest of the cultivator to ban such transactions, especially when foreign markets were rising in a similar strain and what is more, those markets were buying in the Indian market at the high rate quoted. And yet the Ordinance remains on the statute book.

The result of the painful enquiry of the consultative committee was that cheap grain shops should be opened to sell commodities at cost prices. And the millowners in their great anxiety to avoid discontent amongst the labourers most magnanimously came forward with the suggestion of opening such shops. But we know that their benevolence was lost on the ignorant, illiterate and unappreciative labourers.

This kind of controlling of prices was being made effectual in every part of the country. All the provincial Governments began to run for the protection of the consumers and to save that threatened social discontentment from developing into the disturbance and dislocation of law and order in the land. Yet, at the same time, Dr. Gregory, the Economic Adviser to the Government of India in an interview to the press at Madras on the 11th December last expressed his considered view on this vexed question of price control that the best way of safeguarding the interests of the consumer and the producer alike was to develop the co-operative movement and to have a co-operative marketing system. He was also of the view that the best thing would be to have the whole problem tackled by the provincial Governments and the Government of India should only lay down principles.

And so, the provincial Governments were taking all measures to check the prices in agricultural produce by means of even publishing, from time to time, lists of commodities with fair prices, even in districts and important villages with the help, of course, of consultative committees.

The Commerce Member, Sir Ramaswamy Mudaliar was busy with the Industrial Conference at Mysore and Dr. Gregory came to

Bombay to consult the Provincial Government on the question of price control, since Bombay is the biggest place in India for the wholesale trade in agricultural commodities. The second price control conference was held in January as previously arranged.

While opening this much talked of conference Sir Ramaswamy Mudaliar the Commerce Member was very kind in expressing his sympathy with the view that during the slump no help had been given to the agriculturist to lighten his loss. It would be unfair, therefore, when the agriculturist was making some little profit, to put the screw on him. And yet the price control conference came to the conclusion that prices in agricultural commodities should be controlled either by altering duties on imports or by prohibiting exports as the case may be. The conference also decided that two advisers on price control should be appointed—one at Bombay and the other at Calcutta, and that there should be co-ordination of action in order to avoid the dangers that came to light by their unco-ordinated action. This conference also thought that too much emphasis was laid on the influence exercised by speculation on prices. And it particularly emphasised the fact that the institution of quarterly all India price control conference is designed to keep the situation in constant review and to ensure the co-ordination of any steps taken, but did not of itself imply a decision to exercise control of prices. So, gentlemen, that considered view of Dr. Gregory for the development of co-operative movement and the co-operative marketing system for the control of prices went by the board. But perhaps that was his personal view and not his official view. The conference met and discussed and came to certain conclusions and I may describe its achievements in the words of Sir Ramaswamy as previously expressed in an interview at Madras on 11th December, that the problem of price control was highly complicated. Or, as the *Times of India* in its editorial on 9th February opened with the huge compliment—" More smoke than fire has been the feature of the price control conference." It also said that all attempts to restrain prices have been more or less isolated and not always successful. But still the Government of India must think of controlling the rise in prices and have been labouring their best to find ways whereby the agricultural prices could be checked. Gentlemen, it is difficult to see why Government is so keen on this problem. Sometimes we are told that the consumers' interests have to be safeguarded, at another time we are given to understand by Sir Gilbert Wiles, Adviser to the Bombay Government, that the interests of the poor people have to be taken care of; yet at another time, His Excellency the Governor of Bombay thinks that the cultivator must be saved. And still at another time the Government of India would want us believe that social discontentment must be avoided in order to preserve law and order. And the emphatic protests of the Indian mercantile community who also speak in the interest of the cultivator are not paid the slightest heed. Then what is the reason, the real reason behind all this make belief on the part of the Government of India ? Gentlemen, the clue is to be found in the speech delivered by His Excellency the Viceroy at Calcutta in December last. His Excellency was very liberal in paying tributes to Indians for the help they have always accorded to the Government of India for the prosecution of the war and said that more than the help in man power, the present war needed economic help. Now I leave you to draw your own conclusions.

Gentlemen, such are the intentions of the Government of India. But what is the fact ? The prices have not yet come up to the level of 1914 war days. When the prices in agricultural commodities fell down in 1929, the agriculturist had to go into the wilderness and the Government of India did not even care to look at them. The result was that even the co-operative movement let alone the agriculturist, the much talked of movement had such a set-back that it has not yet recovered from that paralytic attack. Sir Ramaswamy Mudaliar sympathises with the agriculturist now and yet the Government would want the prices in agricultural articles to be controlled instead of leaving them to find their own level in accord with the parity of prices all over the world. Then, by the control of these prices whose interests does the Government of India wish to protect ?

I commend this resolution for being passed by you. But before I close I must also make it clear that the sentence in the resolution—"appreciate the desire of Government to take all measures for the successful prosecution of the war" should not be taken to mean that we are a party to the control of prices for the prosecution of war.

I support the Resolution.

Mr. C. Ranganayakulu Chetti (Andhra Chamber of Commerce, Madras) :

Mr. President and Gentlemen,

I have great pleasure in supporting the Resolution moved by Mr. R. M. Gandhi.

This proposal for control of prices which has emanated from the Government of India is an evidence of the great sympathy which the Government of this country is showing for the consumer. This sympathy, as you are aware, has already been manifested in the recent increase of railway freight and fares and of petrol duty which Government could not be unaware have directly affected the lower middle classes and the poor people. That same sympathy is shown in the high general customs duty of 25 per cent which is being levied on articles of import. All the same, Government is not tired of pleading the cause of the consumer and make that the excuse for a halting and wavering protective policy towards the industries of the country. Government is similarly not tired of pleading the cause of the primary producer whenever the question of export duty is considered, say on oil seeds so as to stimulate oil milling industry in the country, or on oil cake so as to conserve supplies of indigenous manure. But they hardly think that the cause of the primary producer is thrown overboard by this proposal of price control, nor by their blindfolded opposition to the revision of the Rupee ratio so as to obtain a better rupee value for the ryots exporting produce. I therefore feel that the whole policy of Government has always been against the best interests of the consumer or producer and the present sudden sympathy hardly carries conviction. Apart from that, Government have to look to the administrative difficulties so as to see how it will be practicable to control prices without hardship to any class of people and with good effect on the interests they want to safeguard. They cannot ignore that prices at one end are the result of varying circumstances affecting transactions from the starting point, and if control should be effective, there should be control all through. Shipping freight has increased and Government have not controlled that; insurance rates have gone up; cost of production has gone up; postal and cable charges have gone up; all this increased cost makes for the increased prices at the consumption point, and no control which is exercised in one point in the chain of transactions can be effective. It is therefore regrettable to note the half-hearted attempts at price control made by the local governments on their peculiarly constituted local committees which are mere instruments of threat and intimidation to the village dealer. In the constitution of the local price advisory committees Government have scrupulously avoided consulting organised commercial opinion available in chambers of commerce and trade associations.

We could very well understand control of prices of monopoly products which are in the hands of one or two or a few manufacturers or distributors made with a view to prevent blackmailing of the consumer or starving an industry such as may be the case in soap industry or ink manufacture or dyeing industry. Large supplies of waste silk which used to feed the local spun silk factories are now leaving the country for war purposes. Prices of mineral oils are being continually raised by the monopoly companies. In these cases Government could have easily made themselves felt, but unhappily Government have not done that, and industries and transport have been badly affected. If Government are not convinced about the advantage and practicability of control in those cases, there could be no ground at all in other cases such as agricultural produce and products. All the time we are talking of high prices the masses of the country remain poor with their spending power reduced to the lowest limit as is evidenced by the rapid decline in the general turn-over of business and general fall in retail trade. Whatever rise there has been in agricultural produce has not yet reached the producer as his first crop under the enhanced prices has only just reached the market and it would take time for him to cover up his previous losses. In the circumstances I feel very strongly that it is logically wrong and administratively impossible to control prices in India at the present juncture. I am very glad to support the Resolution.

President: As it is now one o'clock, we will now adjourn for lunch and take up this very same Resolution again. The next speakers will be Mr. Chowla, Mr. Bagaria and Dr. Hamied. I would request them to be in their places at a quarter to three.

The meeting then adjourned till 2-45 P.M.

AFTERNOON PROCEEDINGS

SATURDAY, the 30th March, 1940

The Annual Session re-assembled after lunch at 2-45 P.M., with Diwan Bahadur C. S. Ratnasabapathi Mudaliar in the Chair.

President: Gentlemen, we shall again start the proceedings and I will now request Mr. Chowla to speak on the resolution relating to Price Control.

Mr. M. L. Chowla (Punjab Federation of Industries, Amritsar) : Sir, I find myself in complete agreement with the laudable object embodied in this Resolution which is before the House. It is a proof, I think, of the natural concern of businessmen in this country for the welfare of the agriculturists. Unfortunately, I feel that in a certain respect the Resolution is inadequate, and I intended to move at the outset an amendment to the Resolution, but as I am debarred by the rules of procedure from doing so, I will not press my amendment, and I would request this House to place on record my views regarding one aspect of the question which, I think and trust, are shared by many members of this House. What is the inadequacy ? I think I can well express it in terms of the amendment which I wanted to move originally. I wanted that in the fourth line of the Resolution after the words " staple agricultural commodities ", the words " and of goods directly manufactured from those commodities " should be added. The purpose of this addition was to counteract a certain anomalous situation which might arise, and has actually arisen, particularly in the Punjab, when an attempt is made to control the prices of manufactured articles without controlling the prices of the raw materials out of which those articles are manufactured. Two particular instances of this kind of control, I may, with your permission, place before this House. One is, that there has, I understand, been a type of control exercised in Bengal and the U. P. where the prices of such articles as wheat flour have been controlled in a manner which is as follows.

A certain number of units to the rupee are fixed below which the manufacturer of the article cannot sell that particular article. In the Punjab the method which is still in force is based upon certain notifications issued by the Deputy Commissioners of Districts, particularly four districts in the Punjab. By notification, a margin between the price of wheat, for example, and the price of wheat flour is fixed which is, I understand, four annas per maund. Beyond that the difference is not allowed to fluctuate. Now, my submission before the House is that if the price of wheat is uncontrolled, and an effort is made to control the price of wheat flour, a very anomalous situation arises. After all, you cannot control the price of the manufactured article without controlling the price of the raw material; and it is for this reason that I intended to move that at least in the case of those articles which are directly manufactured from, or are very close, in the process of production, to that raw material, at least, in those cases the prices should not be controlled. If we are going to accept the principle that the prices of raw materials should not be controlled, then I think it naturally follows that the prices of manufactured articles which are manufactured directly from those raw materials should not be controlled. One instance I have given is of wheat and wheat flour. Many instances can be given of that kind. There are textiles, for example, and I think that the opinion that an anomalous situation of this kind should be avoided by Government is shared by all members of this House. I leave it to the Chair either to allow this view of the matter to go on record as it is, or to permit a verbal change in this Resolution for the purpose of merely improving the Resolution, in order to remove an inadequacy which, I submit, is apparent on the face of it, and the words which might be added are—in the fourth line after the words "staple agricultural commodities" the words "and of goods directly manufactured from those commodities." I do not want to press that these words should be added, but these views are, I think, shared by many members of this House, and they may go down on record.

President: I think, gentlemen, Mr. Chowla has raised an important point. His speech will form part of the proceedings, and the Executive Committee, when communicating this Resolution to the Government, will take his remarks into consideration and, where necessary, embody them in the covering letter which they will send to the Government. I think Mr. Chowla will be satisfied with this assurance from me.

Mr. Chowla: Thank you.

President: I will now request Mr. Bagaria to address the Conference.

Mr. H. P. Bagaria (East India Jute Association, Calcutta): Nothing much can be said against the conduct of a man who tries to serve and protect his interests even though they may clash with those of his friends, but I do not know what to say of a man who makes his friend lose 10 Rupees so that he may himself get one rupee and put 9 rupees into the pockets of a stranger. I can understand the anxiety of the British Government to keep down the prices of agricultural commodities in this country, but what I cannot understand is that they are trying to keep down the price of even those commodities in which they are not vitally interested but in which India is vitally interested, inasmuch as she sells large quantities to foreign nations. Sir, it is an open secret that, when as a result of an abnormally heavy demand for jute goods, the prices of raw jute began to go up, frantic efforts were made by the Government of India to induce the Government of Bengal to fix maximum prices for jute. It was only because of the strong attitude taken up by the Government of Bengal—and no popular Government worth the name could have taken a different attitude—that the efforts of the Government of India failed. As you all know, jute is a monopoly of Bengal, and in spite of the huge figures of the total number of sand-bags purchased by the Government of India, you will be surprised to learn that hardly 10 per cent of the total crop will be used in the manufacture of those sand-bags. 90 per cent of the jute goods that are manufactured are consumed by countries other than the British Empire. I cannot understand what was the reason behind the move of the Government of India to put a check on the price of jute, because although it would have benefited the British Government to a very small extent, it would have benefited materially foreign countries who are interested in the purchase of jute and jute goods. Jute cannot come under the classification of essential commodities and a rise in the price of jute cannot disturb the law and order in this country. The efforts made by the Government of India clearly show that the Government of India are bent upon keeping down the prices of all commodities. We should, with all the emphasis at our command, draw public attention to this question and prevent this attempt of the Government from succeeding.

Dr. K. A. Hamied, B.SC., M.A., PH.D. (Berlin), A.I.C., F.C.S. (Lond.), M.L.C. (Bombay), (Indian Chemical Manufacturers' Association, Calcutta) : I very much welcome this resolution opposing the control of prices, but while supporting this resolution, I beg to point out that in certain respects the resolution is very inadequate. It only deals with the problem of agriculturists and is completely silent about the hardships which are being borne by pharmaceutical manufacturers in India.

The control of prices is certainly a matter for the government of the country, but such control should not be one-sided. I mean that it should not be only for the control of prices when they are going up, but also when they are going down. When the Government is interested in the welfare of the public and the development of industries of the country, it is the duty of the Government to look to the fact that prices when they are going down abnormally are controlled. Today the Government comes forward to control the higher limit of prices and prevents people, who are manufacturing and trying to establish Indian industries, from obtaining any higher prices than what the Government fix for them. Immediately when the war finishes, the enormous stocks which would have accumulated in Germany and other European countries will be dumped on this poor country without any control over prices. I want to make myself clear. In every country the Government, while taking steps to control the prices at the higher level, also attempts to control prices at the lower level as well. If the Government are disinterested in the dumping of foreign articles into the country and consequent lowering of prices, the Government should also remain disinterested now in the control of prices when they go up. Allow me to give an example. As a chemical and pharmaceutical manufacturer, I can tell you that it is with great difficulty that we are making a few products which are today selling in India at a price which will bring some profits. We have suffered a lot on account of competition from foreign countries, specially Germany, by the dumping of chemicals and drugs. This is the time for us to recoup the losses we have sustained in the past. But immediately steps in the Government stopping us from recouping that loss. When the war finishes, the chemical and medicinal products from foreign countries will be dumped into this country. Prices will go down and there will be no control by our Government to stop the lowering of prices which will ruin the Indian industries. This resolution should also deal with this other aspect of control, and further, not only in the interest of agriculturists but also of the manufacturers who are likely to suffer on account of price control. Several people have gone to jail. They are not agriculturists. They are men engaged in trade in medicines and chemicals.

I request you, Mr. President, to reconsider this resolution and add the words "manufacturers also". If you pass the resolution as it is, it will mean that you are interested in price control so far as it relates only to agriculturists, and you do not care whether industrial manufacturers of this country suffer or not. I hope you would reconsider the attitude of the Federation in the light of what I have said.

President: As I have told Mr. Chowla, I have to say the same thing to Dr. Hamied. That aspect of the question will be taken up by the Committee when forwarding the resolution and everything will be done to meet the situation. I shall now put the resolution to vote.

The Resolution was unanimously carried.

President: With your permission I will leave Resolutions Nos. 5, 6 and 7 for the time being and take up No. 8 as Sir Abdul Halim Ghuznavi wants to go on some urgent business.

Sir Abdul Halim Ghuznavi, M.L.A. (Central), (Muslim Chamber of Commerce, Calcutta) : I beg to move :

SHIPPING

A. The Federation is strongly of opinion that as national shipping is essential for developing India's economic sufficiency and as India's second line of defence, India should have, without any delay, a large efficient and fully developed shipping owned, controlled and managed by its own nationals. The difficulties recently experienced in connection with India's import and export trade and the disorganisation of its important passenger traffic particularly on the West Coast emphasise more than before the imperative need of India possessing a large and powerful mercantile marine of its own. The Federation, therefore, deeply deplores that in spite of the declared and recognised responsibility of the Government of India for helping India to build up such a mercantile marine in this country, neither have the Government of India taken any effective steps to help national shipping concerns in securing substantial participation in India's maritime trades, coastal and overseas, nor have they laid down any policy or evolved any plan for achieving that object which every maritime country having a national Government has done and has been doing for its own nationals.

B. The Federation urges the Government of India to allot a substantial share to Indian national shipping concerns in the distribution of the Haj traffic.

C. The Federation welcomes the enterprise of the Scindia Steam Navigation Company for starting a ship-building Yard in

India and calls upon Government to give every assistance and encouragement for the speedy development of the ship-building Industry which is vital to the maintenance of India's position as an important maritime country.

Mr. President, the history of Indian shipping in this country is a very sad one. Before the Scindia Steam Navigation Company came into existence, we in Bengal started an Indian shipping company in the year 1918. That had a capital of one crore of rupees. Immediately after the Company was launched, there came the British shipping like a Damocle's sword over our heads and it succeeded very well indeed. Then came the Indian shipping known as the Scindia. What is the history behind this shipping ? Every one of us who is still a Member of the Assembly knows its previous history. The first thing that the Scindias had to face was the British shipping and what was the fate awaiting them ? Complete destruction. The rate war started. The rate prevalent before was Rs. 10 per ton from Calcutta to Rangoon, but it was reduced to Rs. 2 by the British shipping to destroy the Indian shipping which was in existence at that time. The fight went on continually. Ultimately, when they had nearly destroyed half of the capital of the Scindias, some sort of arrangement or agreement was brought about between the British shipping and the Indian shipping. What was that agreement ? A very small share was allotted to the Scindias as against the British shipping, and that too, not of the overseas, but only in the coastal trade of India. Every maritime country in the world preserves for its nationals all the coastal shipping, but in British India coastal shipping is not reserved for its nationals, but is reserved for everyone excepting the nationals. That is the position of Indian shipping in this country. That agreement gave the Scindias a small share of our coastal trade and nothing more. That has also come to an end and there is a deadlock between Indian shipping and the British shipping at the moment. God only knows what is the fate which is awaiting Indian shipping. The Government of India has not raised its little finger to support the Indian shipping as against the British shipping which is now trying almost to crush the Indian shipping. The Moghul Line which is a British line, though it is called Moghul, it is a British line, it has the benami name of Moghul because, at one time it did belong to the Moghuls, but the Moghuls were crushed and they had to sell their interests to the British. The Haj traffic was entirely in the Muslim hands, not only the old Moghul Line, but also other Muslim lines who catered for Haj shipping, but all those lines were crushed for the benefit of the British shipping who are now bent upon destroying the Indian line. We approached the Scindia if they would come forward and start a Haj line. They consulted the Government of India and the Government of India also gave them an assurance that they would support them in starting another line to run for the Haj traffic. The contention of the Moghul Line all the time was that the Hajis could not be carried from Calcutta direct to Jeddah because it did not pay them. Therefore, they went before the Government of India and had the port of Calcutta closed for the Haj traffic. With the greatest difficulty, after 26 years of fighting, we got the port of Calcutta opened for Haj traffic, only six years ago. Immediately when that port was opened, the British shipping went up to Government of India asking them to close it down, because they said that it did not pay them as the number of Hajis were insufficient to carry from the port of Calcutta to Jeddah. When the Scindias came on the scene, the Scindias placed their most magnificent boats as against the British boats. The British shipping used to carry the Hajis like lambs and cattle, but the Scindias gave the Hajis better food, better arrangements, better accommodation and better and more fast sailings. (*Cheers*). What was the result ? The British boats were increased to three as against the one boat of Scindias in the port of Calcutta and the very first year there was rate cutting. But the Mussalmans had their previous experience. That was in Chittagong with the British India Steam Navigation Company. The Mussalmans had a small line, and in order to crush that company the B. I. S. N. carried passengers free from Chittagong to Rangoon. In spite of that, the Mussalmans travelled by the Indian company paying fares. Ultimately, the Scindias came to its rescue and that company is still in existence there and is running. (*Cheers*). The statement of the British shipping was that there were not sufficient pilgrims to carry from Calcutta to Jeddah, and that was proved to be unfounded and untrue after the advent of the Scindias.

Then there came the rate cutting competition. In spite of that the Scindia Haj traffic was going on very well. War was declared, Mr. President, on the 3rd September of last year. In October we were told by the Government of India that as there was war going on, the number of ships was to be restricted. So the Government wanted to close down the port of Calcutta. That was exactly what the Moghul Line wanted and the Government of India agreed to what the Moghul Line had wished for, namely, to close down the port of Calcutta. Then they called for a conference. They never thought it proper to call for the Presidents of the three Haj Committees of the three provinces, namely, Bengal, Bombay and Karachi but they called only the representatives of the European shipping and the Scindia Shipping in Delhi and arbitrarily they said, "we are going to allot 75 per cent of the Haj traffic to the Moghul Line and 25 per cent to the Scindia." Why, because they say Scindia had got only three boats whereas the Moghul Line had got 7 boats. Mr. President, I hope I am not taking up much of your time. This is an important subject and I want to make a full statement so that every member of your Federation should know what is the exact position of the shipping trade and how we are treated by the Government of India in this respect. Their conclusion was based on the carrying capacity *pro rata* but the fact is that the number of passengers carried by those three boats of the Scindia Co. was larger than that carried by the 7 boats of the Moghul Line. And yet 25 per cent was allotted to the Scindia and 75 per cent to the Moghul Line. Naturally the Scindia Co. resented this and they felt that this was only a dodge to obstruct them from carrying on the trade. They thought that in future they would be so obstructed and they dropped the whole thing once and for all. In spite of protests from the various Haj Committees, the Government of India would not listen. The result was that the Moghul Line got exactly what they wanted. The whole of the traffic was in their hands to carry on to Jeddah and they were very much pleased with the closing of the port of Calcutta. Their original idea was that the port of Calcutta should be closed. So, it was closed once again and they will take jolly good care to see that it was not opened again. Deputation after deputation met the Government of India. The Honourable Member in charge is an Indian and the Secretary is also an Indian. In spite of that we do not get justice for our Indian shipping in this country. An assurance was given that this was a war measure and that next year the port of Calcutta would be opened. After that immediately a communique was issued to the effect that so far as the opening of the port of Calcutta is concerned, that is a matter which they will consider when the contingency will arise. That assurance that was given before was cancelled and a second communique was issued. Then on top of that they want the Haj Committee in Calcutta to support the Government in the propaganda which the Moghul Line wanted to carry on, namely, a telegram from the Government of India went to the

Haj Committee in Calcutta asking them to do all they could to help the Hajis to be carried by a special train from Calcutta to Bombay and then proceed from Bombay to the Hedjaz. I am a member of that Haj Committee and the Chairman called an emergent meeting and asked the members to consider and give a reply to this telegram. Our reply was that the Calcutta Port Haj Committee looked after the pilgrims who embarked from the port of Calcutta and that we had nothing to do with Bombay or Karachi ports and since the Government of India was closing the port of Calcutta, we declined to render any assistance to carry pilgrims by special train, which we considered was a propaganda of the Moghul Line. And, therefore, we gave no assistance. The passengers were carried by a special train. They were many of them stranded there ; from Calcutta to Bombay they took them by special train so that there might be no opposition. After that they demanded more money for fare. When Government gave 25 per cent to Scindia and 75 per cent to the Moghul Line, the Honourable Member in charge said that they had to do this on account of two considerations. One was that the Scindia was not willing to agree to the rates that prevailed in the previous year. They wanted an increase. The other was in regard to space, three as against 7 boats. They consider that 25 per cent is the best for Scindia. The Scindia said that they did not want to carry at the same fare as last year. Many of us know what happened last year. It was an uneconomic rate and both the companies lost money. So far as the Moghul Line is concerned, they have tons of money, which the Scindia has not. Therefore the Scindia wanted an economic rate. Why cannot the Government fix an economic rate so that they may end this dispute about rate cutting by both the companies. That they will not do. They asked the Government times without number to intervene, work out the details, fix an economic rate once and for all, so that there might be no competition. That they are not willing to do. The result was that the trade which they have been carrying on in the Haj line has been taken away again. Now, I come to the Resolution itself. What does it want ? The Resolution wants that the Government of India should render every assistance to develop Indian shipping. That is the first. May I point out that up to now they have done nothing of the kind—nothing to assist Indian shipping. Let us hope that the Federation's Resolution will open their eyes and they will do something at any rate from now, if they have not done anything before, to help the Indian shipping. Then the

Resolution says that India should have an Indian mercantile marine. Sir, how can you have an Indian mercantile marine until your own Government backs you. The Indian shipping was not allowed to ply even between Aden and Bombay and when we go to the Government of India the answer is—you negotiate with the British shipping and decide for yourself. Is it fair to ask us to negotiate with the British shipping ? Is it not their duty to come forward and assist and compel the British shipping to give us at least a share of that business ? In that respect, the Resolution is not happily worded. It should be in the form of a demand from Indians that Government should at once take steps to give us a share in the foreign trade, in the overseas trade which we have been deprived of till now. What are the other Governments doing ? After the declaration of war, what is the position of Indian shipping ? It is being controlled by a Controller and who is that gentleman—the head of the British shipping company in India ? He has to decide my fate. He has been my rival and he wants to see me destroyed but he is the gentleman in charge to decide my fate. The other day while discussing this subject on the Finance Bill, the Member in charge in reply to that charge said that every controller and every liaison officer was appointed after taking the unanimous opinion of the trades concerned. May I ask the Government of India whether they took the unanimous consent of the Indian shipping when they appointed the Controller ? He may have been appointed by the Board of Trade but surely the Government of India had some hand in the matter. They should have at least informed the Board of Trade that it would not be fair in the interests of India to appoint one man and that they should have appointed an Indian to associate with him, who is the representative of Indian shipping. That has not been done. In other countries during the war, when one boat is sunk, two boats are being built in the ship-building yard. What is our position ? If we have got one boat sunk or destroyed, we have not got the power to build a boat in this country. There is no ship-building yard and if it takes long for the war to come to an end, all Indian ships will be destroyed. They may be commandeered for war service. How are we to replace them ? It is hopeless to replace them. Now, what are the other countries doing ? Take the case of Australia. With your permission, Sir, I will read one or two lines as to what the Australian Government has done for their shipping in Australia.

President: I have referred to that in my speech.

Sir Abdul Halim Ghuznavi: You have not referred to the portion which I am going to refer to. I followed your speech very closely. "The Tariff Board reported that the high protective system against imported vessels up to 500 tons has not succeeded. All the data available tended to confirm the view that the price of a completed vessel from an Australian ship-yard was roughly twice the price in sterling at which a similar vessel could be supplied from the United Kingdom." Now, mark the words—twice the price. It will be twice the price for them if they imported their vessels from England. In spite of that they said, 'No. We must have our shipping in this country'. They had a ship-building yard and they have agreed to give bounties for those ships that will be built in that country. What is the position in Turkey? Immediately after the war, their attention was drawn to ship-building. May I read a few lines from the ship-building proposition of Turkey which has appeared in the *Times of India* dated the 11th March 1940?

"The Turkish Government are reported to have adopted a scheme to establish vast new ship-yards at the Golden Horn, capable of building merchant ships on a large scale. It is stated that the construction of the ship-yards will be entrusted to a British enterprise and the cost of about £2,000,000 is payable in accordance with the terms of Britain's credit to Turkey. The ship-yards will take 3 years to complete."

Sir, the Scindia Company approached the Government of India for a ship-yard to be built in Calcutta. The Government of India are still considering the matter. They have not said that they will not assist them, nor have they said that they will assist them. What is the position? In the last war the enemy ships had to be worked in India and the result of the working was a profit of 4 crores of rupees, which is to our credit with the Secretary of State. Sir Basil Blackett in his speech on the 29th February 1924 said: "We have, however, been unfortunate enough to come in for a valuable legacy. There are certain sums which have for some time been lying in suspense and which represent the profits from the control of enemy ships and similar items.... But we are able to say with fair certainty that three and a half million pounds equivalent to Rs. 4 crores and 73 lakhs at an exchange of 1s. 4d. belongs to us."

The Indian shipping demands from the Government of India that they should immediately get hold of this money which is in the hands of the Secretary of State in the suspense account on behalf of the Government of India and utilise it for ship-building yards in the country.

Sir, I think I have dealt extensively so far as the position of Indian shipping in this country is concerned and I appeal to this House to exert and see and make the Government of India move to consider three points so far as the Indian shipping is concerned.

Firstly, they must insist upon the British shipping to come to terms with the Indian shipping as the contract has expired and there is a deadlock at the present moment. That deadlock is putting a great inconvenience in the way of the Indian shipping.

Secondly, they must subsidise the Indian shipping in order that they can build and construct more ships.

Thirdly, they must subsidise the ship-building yards which the Scindia Company has started and this money which is lying in the suspense account of the Secretary of State on behalf of India should be requisitioned and placed with the Companies who want to construct ship-building yards in this country.

In concluding my speech, may I read before this House a statement which Mahatma Gandhi made in 1930 which is as true today as it was in 1930. This is what he said: "The cottage industry of India had to perish in order that Lancashire might flourish. The Indian shipping had to perish so that the British shipping might flourish. In a word, we are suppressed in order to enable the British to live on the heights of Simla." Sir, I move.

Mr. J. J. Kapadia (Native Share and Stock Brokers' Association, Bombay) :

Mr. Chairman, Brother Delegates and Friends,

The Resolution on Indian shipping has been moved by so eminent a delegate as Sir Abdul Halim Ghuznavi who has fought many battles in the Assembly in the cause of Indian shipping. He has an intimate knowledge as a Member of the Assembly of the various problems pertaining to Indian shipping and he has dealt with the various aspects of the Resolution with that knowledge. I will therefore not detain the House at any great length. But I desire to emphasise a few aspects underlying the Resolution. If there is one thing more than another which the outbreak of hostilities in Europe has fully demonstrated, it is the imperative necessity and desirability of having a strong and powerful mercantile marine in this country. Had it not been for the most inglorious influence which the British interests have been able to wield with the Government of India, the country would have been able to achieve very great progress in this matter and it would not have been necessary today to see a number of senseless restrictions placed on Indian shipping, with the result that there has been considerable dislocation of the trade of our country. But, Sir, as we all know, the Government of India have always acted as the post office for the Imperial Government and it is for this reason that this important key industry has found itself in a strangle-hold, if I may say so. In spite of all this, the Government have not yet profited by the lessons which the last war and the present war has afforded. What have they done in the way of strengthening India's national shipping ? Take the Indo-British trade agreement. The Federation urged that in concluding any agreement with Great Britain with regard to India's trade, the claims of national shipping ought to be pushed forward, but the Government of India have neglected their duty in this matter. Contrast the attitude of Great Britain in this respect with that in regard to trade negotiations which were opened with Soviet Russia. We have it in the Committee's proceedings that Great Britain insisted upon a specific share of the carrying trade being reserved to Great Britain so far as the trade with Soviet Russia was concerned. Nothing of the kind was done in the trade negotiations between India and Great Britain and we find that a golden opportunity was lost for securing to India an active participation in the overseas trade.

Let me proceed, Sir, to another instance and that is the appointment of the gentleman referred to by the Mover of the Resolution as the Controller of Indian shipping. He has dealt with that aspect of the matter at some length and I do not propose to go into it in greater detail, but I cannot help pointing out that the appointment of Sir George Campbell, who has been in close relationship with the B. I., which is one of the worst enemies of the Scindia Steam Navigation Company, has shaken the confidence of the Indian public with regard to the *bona fides* of the Government of India in this matter.

Then, Sir, I proceed to a third instance and that is the unfair allocation of the Haj pilgrim traffic. We have listened to that aspect of the matter from the Mover and I do not think I should pursue that subject any more but I feel bound to point out that the Government of India have abused their powers of intervention in this matter. They intervened and the intervention ought to have been to the benefit of national shipping. Instead of that, they have given a kick to national shipping at the expense of the country.

Then, Sir, let us see what they have been doing with regard to the Indo-Japanese trade negotiations. We have pointed out in our Memorandum that the claims of Indian shipping should be utilised as a means of bargaining in bringing about any agreement between India and Japan. I wonder whether the Government of India are going to do that. The news that we have received today indicates that the Japanese quota has been raised and if that is going to be the index of what is in store for us with regard to the Indo-Japanese trade agreement, we might well despair of any serious attempt on the part of the Government in utilising the shipping claims of India as a bargaining power in these negotiations.

Now, Sir, I will deal with that part of the Resolution which refers to ship-building and the encouragement that the Government should give to the ship-building project started by the Scindia Company. It was in the year 1924 that the Mercantile Marine Committee recommended that a construction bounty should be paid if a ship-yard was established in this country. The Scindia Company has declared its intention to establish such a ship-yard. The Scindia Company asked the shareholders to contribute a large amount towards the additional share capital. The investor out of sheer patriotic motive has come forward to contribute that amount and it would interest this House to know that although the Scindia Company required the shareholders to contribute a sum of Rs. 75 lakhs, the shareholders have contributed to the tune of over a crore of rupees. But, Sir, what is the attitude of the Government of India ? Our friend, Sir Abdul Halim Ghuznavi, put a few questions very recently in the Legislative Assembly in order to ascertain the attitude of the Government. In this respect, he was also followed by Dr. Sir Ziauddin Ahmad, but the answers which the Honourable the Commerce Member gave were, if I may say so, most evasive. He said in reply to Sir Abdul Halim Ghuznavi's question that no occasion had arisen to consider the question of giving a construction bounty. Well, Sir, any Commerce Member imbued with a due sense of duty to this country, imbued with a due sense of friendliness towards Indian shipping would have given a more sympathetic answer. When the question of affording facilities to Indian students for acquiring ship-building training was raised by Dr. Sir Ziauddin Ahmad the reply was equally evasive. Dr. Sir Ziauddin Ahmad pointed out that the British companies had agreed to give ship-building training to 40 Turkish students and he enquired if the Government of India were prepared to extend similar facilities to the youths of this country and the reply was that no such special facilities were needed. Well, Sir, this was a highly unsatisfactory reply and, as I have no doubt, if these replies indicate the mentality of those in power—if they are an index of their attitude *vis-a-vis* Indian shipping—I think Indian shipping will have to carry on its struggles for many years to come. In my opinion the case for protection and advancement of Indian shipping is not only strong but is very just and equitable. What is required is a little courage, a little firmness and a little sympathy on the part of the Government of India. If we read para 340 of the Imperial Shipping Committee's report, we will find that that committee has conceded the right of India to possess a mercantile marine as distinct from the British mercantile marine. That committee has even gone to the length of stating that there has been considerable distrust in India in regard to shipping—distrust born of the past conduct on the part of British interests in this matter—and that committee has pleaded for co-operation between Indian shipping and British shipping. I therefore hope that the Honourable the Commerce Member will take courage in both hands, will be a little more firm and if he becomes a little more firm he will be able to solve most of the difficulties of Indian shipping with the result that in due course we will have a strong and powerful mercantile marine and this mercantile marine will not only do infinite good to the trade and commerce of our country, but will provide avenues for employment for the sons of the soil. With these words, I beg to commend the Resolution for the acceptance of this House.

President: The Resolution has been duly proposed and seconded. Mr. Narasimha Rao of Andhra wants to oppose the Resolution. So he will speak now.

***Mr. K. L. Narasimha Rao** (Andhra Chamber of Commerce, Madras) : It is absolutely necessary that we should know exactly what we mean by national shipping. This so-called national shipping is centred round one company, the Scindia company. When

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* Speech not corrected.

Sir Ramaswami Mudaliar was receiving a deputation from the Bombay Chamber of Commerce, he put the question what national shipping meant. He was told it meant the Scindia Company. So there is no doubt that when we concentrate discussion on this resolution, you are discussing only this single company. No doubt the company has had many trials and many knocks from the Imperialist Government, and it has gone through several difficulties and it has reached the present successful position it occupies to-day. I want that institution to occupy a greater position in India. But I think certain conditions should be laid down before we, as a national body, commit ourselves to supporting a single company. In my opinion, one of the first conditions should be that the Board of Directors should be organized on an all-India basis so that every part of India can feel that it has got some representative on the management of the company in the control of this institution. The second condition is this. If you are running your national shipping in the interest of the nation as a whole and not merely for the benefit of private shareholders or for the profit of the managing agents, then I would ask the Scindias to abolish the managing agency system and demonstrate to the public that when they ask for favours and want to commit the Federation to this view that they are not looking for profits of their own people but that they care for the real interests of India. If they are genuinely anxious and keen for national shipping, they should agree to this condition. I have not much to say about the management of the company. This company, with its present Board of Directors, refuse to register shares of even investment trusts. This matter came to my notice. I would ask gentlemen what do you think of this company with its present Board of Directors who do not even allow investment trusts to hold shares. No doubt the Board of Directors are quite competent under the Indian Company Law to assign no reasons and reject the application for registering of shares. But if the company wants to claim patronage and sympathy of every one of us, are we not entitled to ask that the company should manage its affairs better ? I am not going to dwell on various other matters such as this company's dealings so far as international competition is concerned.

President: I should like to point out that there is no reference in parts A and B of the Resolution to Scindias. We have mentioned only national shipping in parts A and B. It is only in part C that there is a reference to national shipping and Scindias.

I would, therefore, request the speaker not to make elaborate reference to Scindias.

Mr. Narasimha Rao : Before you ask for Government patronage—this company also came before the Federation last year and got a Resolution passed for Government patronage—I suggest that we, as a Federation, before committing ourselves to a particular course, should be careful to see that the company is properly managed. While encouraging Scindias, we must see that they conduct their management in such a way that it paves the way for nationalisation ultimately. If you now ask the Government to help Scindias, other companies might crop up demanding help. If it is an ultimate nationalisation of the whole company then we will be left only with one company with Government control just as you have State railways. The Government may take up all the shipping companies and run as Government concerns. There is no use of shelving this question now. Since I am not able to support the Resolution without the conditions that I have laid down, I have to oppose it.

Mr. Chunilal B. Mehta (Indian Merchants' Chamber, Bombay) : I did not intend at all to speak on this Resolution, but as some mention has been made about the Scindias and its Board of Directors, I, as one of the Directors—my friend to my right, Sir Rahimtoola Chinoy is another Director—feel it my duty to place the other side of the case before the Federation. The gentleman who spoke just now laid down three conditions. He says that the Board of Directors of the Scindias should be organised on all India basis. The Scindias have been formed many years ago and there had been for some time on their Board Directors on an all India basis, but as time passed, it happened that the Board of Directors came from Bombay as the company had its headquarters in Bombay and as the work had to be carried on from day to day and week to week. In the face of the increased attention, almost daily attention, that was necessary, the Board of Directors could not be drawn on all India basis. That was neither feasible nor would it conduce to efficient management. The gentleman's contention seems to be that before an industry asks for protection, it should be run on all India basis. So far as my knowledge goes, such a contention is absolutely against the policy of the Federation and it is also against the economic policy of the whole of India. It does not matter whether a company is situated in Calcutta, Madras or Bombay or Karachi. The Federation always lays down one condition and that is whether the company is an Indian company and working in the interest of Indian economy.

The second condition laid down by the gentleman is that there should be no managing agency at all. Well, Sir, opinion is divided as regards managing agency system. Managing agencies had always existed in India and it has been found that many times this helps the case of the industry much better than other system of administration. Therefore to say that because the Scindias have got a managing agency system that they are receiving large amounts of managing agency commission and therefore this Federation should not support that institution is not tenable as a policy for this Federation.

The third condition the gentleman referred to was about the transfer of shares in the name of an investment board. This is a very simple question. We always insist and it is the policy of the Scindias not to transfer any share in the name of non-Indians. We, therefore, insist that if the shares are to be transferred, they should be in the names of Indians. Even European Banks and firms who are acquiring Scindia's shares are transferring shares in the names of their nominees who are Indians. If this gentleman who complained about this so-called defect will please send his shares—any numbers—and transfer them in the name of Indians, he will have no complaint to make against the company.

Mr. Narasimha Rao: It is not a non-Indian but a limited liability company.

Mr. Chunilal B. Mehta: Well, the case of limited liability companies is different as they are always subject to sale at any moment to anybody. Therefore we cannot register any shares in their names.

Mr. J. J. Kapadia: Why should the Scindias refuse to register transfer of shares in the name of Indian companies with limited liability ?

Mr. Chunilal B. Mehta: That is the policy of the Scindias adopted by the Board of Directors.

Mr. D. Khaitan (Indian Sugar Mills' Association, Calcutta) : I rise to a point of order, Sir. The Resolution, as it is framed, is a general one for the benefit of India and all Indian concerns at large. We are not concerned with the Scindias or whether it is working properly or not or whether the shares of that company are properly transferred or not. If we go into such question, it will be outside the purview and real spirit of the Resolution. I did not find one word in the speech of Sir Abdul Halim Ghuznavi that he wanted to help only the Scindias and no other company. The Federation is not concerned with the personality of the Board of Directors of Scindias or the way in which they are working, whether they refuse to transfer shares and so on. If the shareholders of the Scindias have any grievance against the management, they should ventilate their grievances in some other platform and vindicate their cause. They are entitled to do so. But in so far as the Federation is concerned, I submit, you, Sir, Mr. Chairman, should stop these kinds of speeches which are irrelevant to the Resolution. Let us proceed with the real principle of the question before us whether an Indian mercantile marine, as a whole, should flourish or not, no matter who starts it, whether it is Sir Abdul Halim Ghuznavi or Mr. Ojha or Mr. Mehta or anybody else. We want a mercantile marine as a second line of defence to be built. Let it be built in Calcutta, or Bombay or Madras or Karachi or in any other place. We want our own fleet of steamers to handle our trade between India and Japan and between India and the neutral and allied countries. That is our object. Whether it is handled by one company like the Scindias or handled by ten companies, it is not the concern of the Federation. We, as a commercial body, are concerned only with national shipping.

President: I fear that Mr. Khaitan's point of order cannot be taken to be in order. We cannot dissociate the Scindias from the Resolution, as it specifically makes mention of this company and no reference is made to any other. The speech of Sir A. H. Ghuznavi was with reference to the Scindias. Let us take a broad aspect of the question. However inasmuch as the resolution has been discussed at great length so far by making reference to the Scindias, let us now restrict ourselves to the general aspect and proceed with the discussion.

Mr. Chunilal B. Mehta: I will say only one word as to what Scindia Company has done for Indian shipping. The Bengal Burma Steam Navigation Company which could not stand on its own legs owing to foreign competition was supported by Scindia Company. Secondly, the Indian Co-operative Steam Navigation Company was also likely to go into liquidation owing to competition and was also taken over by Scindia and is now being run with vigour and confidence. What I say is that Scindia's claim of being a national shipping company is quite correct and they have always stood by Indian shipping companies, small or big.

Mr. Haridas Laljee (Buyers and Shippers Chamber, Karachi) : I had no desire to speak on this subject, but on account of the remarks against this resolution on national shipping, I, as representing the Buyers and Shippers Chamber of Karachi, feel it my duty to remind my friends who oppose this Resolution of the position that existed before the Scindia came into existence. I belonged to a firm of shippers and I am aware of the difficulties that existed then. In those days the British India Steam Navigation Company Ltd. held the monopoly of the Persian Gulf line. They sent their steamers with full loads from Bombay and when they arrived at Karachi they took goods only if any space was available. Now, Karachi is a big port and there is always a very considerable number of consignments for shipment. But the British India Steam Navigation Company do not provide extra steamers. The experience of those days is still afresh that goods sent for shipment for Persian Gulf were shut out 4 to 6 times and deteriorated to half the value before they reached their destination. I have correspondence in our file in which the B. I. have said that they must support their loyal shippers. It was then considered that the firms which at times availed themselves of other ships to send their goods were disloyal shippers. By discouraging this national shipping concern, should we go back to the same position as explained above ? In order to achieve our ends it is our duty to support national shipping. I am neither a shareholder nor in any way connected with the Scindia Company, but we must remember the real position as stood before 1924 ; I would appeal to my friends not to oppose this Resolution which is of a general nature.

Mr. H. P. Bagaria : Sir, before deciding my mind on this question I would like to know whether the Scindia Company did not try to adopt against another Indian shipping company those very methods which it complains the B. I. S. N. adopted against it.

President : I am afraid I cannot allow that. I must ask the speaker to make his remarks in an impersonal way.

Mr. H. P. Bagaria : But the name of Scindia has been brought into the Resolution in clause (*c*) and that is why this controversy has arisen. We have nothing to say against the first two clauses, and if we are not to be allowed to refer to Scindia Company, I would ask you to delete clause (*c*).

Lala Shri Ram (Delhi Factoryowners' Federation, New Delhi) : Sir, I wish this Resolution to be carried unanimously and not by a majority. It is quite true that the name of Scindia appears in clause (*c*) but perhaps delegates will realise that fortunately or unfortunately Scindia happens to be the only company to start a national ship-building yard. Other companies who have perhaps not got financial resources or are not as go-ahead as they are. This Federation represents all Indian Chambers including shipping and it is a welcome move on the part of one company to start national ship-building. That is all that clause (*c*) says and purely from that point of view and in spite of all their alleged faults I should like this Resolution to be passed unanimously. Perhaps if the name of Scindia had been mentioned in any other connection I would not have said a word, but I welcome their effort which has not been attempted by any other industrialist or firm or entrepreneur, and so we should welcome it.

President : With all due deference, I want to make one suggestion. A ship-building yard is an important thing and, if desired, we can drop the name of Scindia from the Resolution and ask Government in general terms to assist and encourage the Indian ship-building industry.

Mr. Kasturbhai Lalbhai (Ahmedabad Millowners' Association, Ahmedabad) : Sir, the issue is a very big one and I was rather surprised to see Mr. Narasimha Rao raising the question of the management of Scindia Navigation Company. This Federation has nothing to do with the management of particular concerns, big or small. The issue involved in this Resolution is whether the Federation favours the policy of protection of Indian concerns or whether they want this business to continue in the hands of westerners. That is the simple issue ; it is not one of favouring this concern or that concern. As far as that goes I do not suppose there will be anyone here who will differ from the view that any coastal trade that is available must pass into the hands of Indian concerns whether they are good, bad or indifferent. If they are bad, it is the duty of this Federation to make them better ; but to refuse to assist them on that score would be a great calamity. We have suffered in the past by raising petty issues when big questions of protection of Indian industries were involved. I appeal to the House to pass this Resolution unanimously ; if some members object, it may be passed *nem. con.* But no part of it should be deleted, because it is not a question of this company or that company but of Indian concerns against foreign concerns.

Mr. H. P. Bagaria: We are asking Government to assist the Scindia Company and therefore we cannot avoid it.

Lala Shri Ram: We welcome the effort of Scindia and we ask Government to help Indian ship-building. If any other company came in we would do the same.

Sir Abdul Halim Ghuznavi, M.L.A. (Central): Sir, let me make it clear that I am not a director or a shareholder in Scindia Company and have no interest in it. The point that I want to press is, are you prepared to force Government to help Indian shipping or not ? The name of this one company has been mentioned in clause (*c*) because that is the only Indian shipping company which has applied to Government for starting a ship-building yard at Calcutta. If any other company is prepared to come forward we would welcome it. We require not one company but hundreds of shipping companies. And unless Government comes to the aid of Indian shipping no companies will come forward with their capital because they know that British shipping will destroy them and all their capital will be wiped out. So this Federation only wants Government to come to the aid of Indian shipping. At present there is only the Scindia Company. I have myself wanted to start another company with 3 crores and it is known to Scindia and I brought forward the Coastal Shipping Bill in 1935. But up till now I have not succeeded in getting it through. My capitalist friends who want to give me that 3 crores made one stipulation that there must be a legislative measure securing Indian shipping against foreign competition so that the capital may be safe. That Bill is still pending and every effort was made by British shipping to destroy it ; and very likely they will succeed because the Congress members are absent from the Assembly and without their help there is no chance of the Bill going through.

***Mr. K. L. Narasimha Rao** (Andhra Chamber of Commerce, Madras) : Sir, I am not against our shipping and everybody is agreed upon it. What I wanted was that the company should be worked so as to get the sympathy of everybody. If the speech of Seth Kasturbhai Lalbhai had come from Mr. C. B. Mehta, I would have agreed straightaway. And in the light of what has been said subsequently, I will drop my opposition because everybody wants our shipping to thrive. There is no difference of opinion on that point. I am a student of economic as well as politics and I know the importance of shipping as well as any one else. That is why I want this single company to be managed better than it is now, so that it may become a national asset worth a hundred crores, so that when the nation takes it over later it will not supply a mercantile marine but also a navy. I only want the management to become better. I would therefore suggest that we must insist upon its work being managed better before we commit ourselves completely. With these words I withdraw my opposition.

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* Speech not corrected.

The Resolution was put to vote and declared carried unanimously.

Sirdar P. S. Sodhbans (Indian Chamber of Commerce, Lahore) :

Mr. President,

I beg to move the following Resolution which stands in my name :—

The Federation urges upon the Government the necessity of selecting suitable qualified Indians while making appointments to key-posts which have been created since the outbreak of the War, with a view to associate Indians with important Departments of Supply and Co-ordination.

Sir, in moving this Resolution I have to remind the House of our long standing grievance towards Indianization of various services—Civil, Military and Police. Leaving aside the previous history I come to the date of the Islington Commission of which the late Mr. G. K. Gokhale of the revered memory and Mr. (now Sir) Abdur Rahim were the members. Mr. Gokhale breathed his last during the course of enquiry and Sir Abdur Rahim wrote a minute of dissent as the chances of appointment of Indians from England were always remote. The Report of this Commission though signed in August 1915, when the War was in progress, yet was not published till January 26, 1917. In this report the Commission came to the conclusion that the recommendations of the Atichison Commission were not acted upon and consequently Indians were getting only meagre number of appointments.

On 20th August 1917, Mr. Montague, the then Secretary of State for India, announced in the House of Commons that the policy of His Majesty's Government was that of "the increasing association of Indians in every branch of the administration and the gradual development of self-governing institutions, with a view to the progressive realisation of responsible Government of India."

In spite of this announcement the recruitment of Indians was very small, however they show a marked increase in 1918 and 1919 due to the fact that in order to complete the ratio of Indian recruits under the Montague-Chelmsford Reforms Scheme. In the civil side of the Government of India there was no doubt a sprinkling of Indianisation but on the Defence side Indianisation was negligible as there were very few Indian King's Commissioned Officers entitling them to hold the appointments in the Defence Secretariat and only recently 3 or 4 Indians have been granted majority ranks due to the present War. You will be surprised to learn that these Indians who were to obtain majority ranks were brought under war block and were placed on the unattached list so that they may not hold the command because European Officers did not like to work under them. Now the question of National Defence has been created on account of War and unless the Government of India take a broader view of Indianisation the Defence organisation of India will remain confused. The number of officers in the Defence Secretariat has increased from 250 to 300, we are not aware of the number of Indians employed on these new posts created on account of War. In the good old days Indian Generals had the capacity of the leadership ; it were the Indian armies under the leadership of the Indian Generals penetrated into Afghanistan whereas previously for hundred of years all the invasions used to come from the West and a miracle was created by the Indian genius and Indian leadership that they were able to reverse the position. Material in India is not lacking but in fact opportunity is not afforded to Indians. When backward countries like Afghanistan, Iran and Siam can organize their defences independently during the course of a few years, why not India although she is under British tutelage for over 100 to 200 years.

Now new opportunities have been created on account of the present war and we find very few Indians have been appointed on the key-appointments. Take for instance the Supply Department, all the important appointments are held by Europeans and only recently an Indian Controller of Stores has been appointed although the portfolio of this Department is held by an Indian. Recent debate on this subject in the Legislative Assembly has proved an eye-opener. Similarly most of the Censorships have been given to British subjects and control of the Enemy Property is entirely in the hands of the Europeans. In various services in Great Britain a very large number of expert accountants have been employed on some important appointments and I give below the names of a few for your information :—

(*a*) Sir Harold Howitt, D.S.O., M.C., F.C.A., has been appointed a member of the Air Council for the purpose of advising the Minister on financial matters ;

(*b*) Mr. F. R. M. de Paula, O.B.E., F.C.A., has been appointed Director-General of Progress and Statistics at the War office ;

(*c*) Sir Alan Rae Smith, O.B.E., F.C.A., has become Financial Adviser to the Ministry of Shipping ; and

(*d*) Mr. H. G. Judd, C.B.E., C.A., has been called upon to act in the very important capacity of Controller of Salvage in the Ministry of Supply.

But in India no Registered Accountant has been appointed on any of such appointments. It seems, either the Indian Accountants have no brains as compared with their compeers of Great Britain or the Government of India does not wish to take advice from the competent and capable Indian Registered Accountants due to the reasons known to them. In these Departments of Supply and Co-ordination, Indians can serve better than the Europeans as being the sons of the soil they know the conditions much better. The position of Indians in their own country is rather queer. Once the Hon'ble Mr. Basu while debating on the Islington Commission Report said that we Indians learn the English language, go to Great Britain and pass Examinations in that country and come back to India to govern the country but if, God forbid, Great Britain would have been governed by Kamiskatkians and the Britishers were asked to go to Kamiskatka to learn their language, and pass their examinations and come back to govern their country, how they would feel ? The same is the position still existing in India that the Indians although qualified to shoulder responsibility are appointed when opportunity has been created on account of War. If the present position is to continue, then there is little possibility of our success in learning the art of administration and controlling the various departments when the promised self-government is granted to us.

I trust the Government of India will consider this modest request of appointment of large number of Indians in the Supply and other Departments, so that they may have the opportunity of service to their country.

With these words I commend this resolution for your consideration.

Mr. Balkishan Munjal (Textile Manufacturers' Association, Amritsar) :

Mr. President and Brother Delegates,

I have been asked to second the Resolution moved by a veteran of this Federation. After what he has said there is not much left for me to say. We have been asked to urge this matter upon the Government. We know that we are not getting anything, and these cries of ours have now become a matter of routine with this Federation. All that I want to impress is that the Committee of this Federation should take up those resolutions seriously and insist that they should be given effect to. Of course, there are very many instances where Europeans or non-Indians have been appointed to key positions. They might have no technical knowledge of the subject, while Indians of great eminence with practical knowledge are there, who are much superior to these Europeans who are appointed. Of course, it is not in the interests of Government to appoint Indians with a different outlook, which is in conflict with the economic policy of the present Government. With these remarks, I second the Resolution of Sardar Sodhbans.

Mr. B. P. Agarwala (Indian Colliery Owners' Association, Jharia) :

Mr. President, Brother Delegates and Gentlemen,

I have been desired by our worthy President to support the Resolution just moved by Sardar Sodhbans and seconded by Mr. Munjal.

Sir, this resolution is so self-expressive that it hardly requires any comments from me in support of what has been so ably, eloquently and impressively proposed by Sardarji and seconded by another gentleman. Suffice will it be for me to say that this Resolution is only in another form a re-affirmation of our demands for Indianisation of the various Departments of the Government, demands which have been voiced on the floor of the Assembly times out of number for the last so many years, but with no appreciable effect so far. The present conditions in India as a result of the war in Europe have created a world market for supply and demand and therefore we request the Government of India that at the present juncture our Indian brothers should be given ample opportunities to occupy the key positions so that our interests may be adequately safeguarded. Gentlemen, in commending this Resolution for your acceptance, I can say without the least fear of contradiction that this resolution will be carried unanimously, because after all it is intended for the benefit of India and Indians in general, and the Indian industrialists and agriculturists in particular. With these few words, I again commend this Resolution for your acceptance.

President: I do not know if anybody else wants to speak on this Resolution. (No other members stood up to speak). Resolution No. 7 has been proposed, seconded and supported.

The resolution was passed unanimously.

President: I will now take up Resolution No. 5 relating to restrictions on exports.

Mr. Haridas Laljee (Buyers and Shippers Chamber, Karachi) : I have pleasure in moving the following Resolution :

RESTRICTIONS ON EXPORTS

The Federation invites the attention of the Government of India to the considerable inconveniences to India's export trade which have resulted from the various restrictions such as licence for shipments, control of allotment of shipping space, destination of goods, use of Foreign Currency, purchase prices from London, etc. The Federation urges upon Government the supreme importance of preserving India's export markets, finding new ones in place of those lost in the enemy territory and of securing a fair share of the additional demand created by the war.

The Federation, therefore, requests Government

(*a*) to administer the various restrictions in such a way as to preserve and develop India's export markets,

(*b*) to fix details regarding the various Controls, in consultation with the *bona fide* representatives of the business community, so as to ensure fair treatment to Indian businessmen,

(*c*) to secure adequate shipping space to Indian exporters, and

(*d*) to examine cases in which hardship has resulted by governmental prohibition of exports, and to either buy up the exportable surplus of such industries or to allow them to dispose of their surplus in export markets.

Sir, the Resolution No. 4 which has been so ably moved has much in common with the Resolution which I have now the honour to move, and the arguments in both the cases are more or less identical. My friend, Mr. Ratilal, has dealt with almost all the important commodities like cotton, linseed and wheat and so I thought there was nothing more left for me to mention ; but I find that a conference was held recently here in connection with the wool trade. I hope my friends in this House are aware of that conference. Wool is a very important commodity of export, and Mr. Dow, when opening the conference, did not make a secret of it. He expressed in most unequivocal terms that the control on wool exports had been placed under instructions of His Majesty's Government who had fixed the prices of the wools, while the Conference was convened for hearing the grievances and views of the traders and exporters of wool. It was found in the course of discussions that the restrictions were imposed for two purposes, (1) to meet the requirements in wool for war purposes and (2) for British industrial purposes. On enquiry, no reply was received as to what was the quantity of wool that was required for war purposes and what was the quantity that was required for industrial purposes. In absence of any reply to this most important matter, some of the representatives at the Conference openly expressed that the failure to reply had been influenced by vested interests, viz., the Liverpool Brokers' Association and the East India Wool Importers' Association. It was also pointed out in that conference that 38 per cent of the wool that was exported from India was being sent to America (20 per cent direct from India and 18 per cent via Liverpool), and that the vested interests did not want India as a direct exporter to America. The representatives said that whatever was required for war purposes should be taken by His Majesty's Government but whatever was not required for war purposes should be permitted to be exported without restrictions. A great deal of discussion took place on this matter.

Then there was another very important point which was raised at the Conference, and that is the appointment of buying agents of the Government of India. The Government of India could not find any Indian firm of reputation to act as buying agents for them and the agents appointed by the Government were non-Indians. It was argued that one of the firms was manufacturing woollen goods for the Government of India, and so they were appointed. But what about the other firm ? The representative of that firm was also present in the Conference, and he said that he knew only about cotton, and that his firm never dealt with wool; and yet his firm was selected. These grievances were placed before the Conference by the representatives of the Federation and other interests, but what was the final reply of Mr. Dow, the Chairman of the Conference ? He showed sympathy towards the grievances of the Southern India merchants, and assured them to redress same as far as he could. He further stated that he saw no reason as to why the wool that was not required and was not of use should not be allowed to be exported. He said all these things in a sympathetic manner, but he did not say even a word about the appointment of the non-Indian firms as buying agents. I do not think he had any doubts that there were experienced Indian firms who could do the work quite as efficiently as the non-Indian firms for acting as agents; but when vested interests are there, it is very regrettable that there is no change of heart.

As regards shipping facilities, you heard just a few minutes ago that a representative of the British India Steam Navigation Co. had been appointed as the Shipping Controller for India. Were there not competent persons with experience of Indian shipping who could act as Controller and who could have been appointed to the post ? But no, there also there is not the least change of heart. I trust that our friend, Sir Abdul Halim Ghuznavi, would try his best to change their heart in this respect. Now, let us see what the decision of the Controller is. Whatever space is available for shipment, 70 per cent of it will first go to the British Government. Of course, this is war time, and we all know it, and as such, we, poor merchants, cannot expect any accommodation but again 25 per cent will go for shipment of articles which are under the British priority list. Then what remains is 5 per cent, and that will go to the non-priority list. If a lion's share of the accommodation is held by the foreign shipping companies, how can our Indian trade expect to get any chance at all ? Sir, I think we have a right to protest against the manner in which this matter is treated, and we must demand better treatment.

Now, Sir, I have got a list of the notifications of the Government of India relating to the various restrictions, and if I read them one by one, you will all get tired soon, and so I shall not attempt that. But I will say this much that the officers of the Customs department who make use of these notifications are more loyal than the Government itself which issue these notifications. I shall quote only one instance to show how the notifications are interpreted to the disadvantage of the Indian traders. There is a notification which says that orders for shipment to foreign countries must be submitted by the merchant to the Customs authorities for inspection with the application for export. There are cases in which on behalf of the party in a foreign port orders are placed by their head office situated in Bombay or any other place in India. In such cases, the Customs authorities will raise the objection on the grounds that the orders have been received from India and, as such, same did not comply with the terms of the notification. Coming to the accounting system we send rice from Karachi and get date from Busrah and other ports in return. The Customs officials don't follow as to how we operate such accounts, and they put hindrances in such petty matters. I have placed before this meeting some of the difficulties in brief and I now urge that the Resolution which has been placed before this House be adopted unanimously. I hope there will be no opposition to it at all from any quarter.

* **Mr. Durga Prasad Khaitan** (Indian Sugar Mills' Association, Calcutta) :

Mr. President, I don't propose to take much of your time, but I shall endeavour to state merely the actual facts relating to this Resolution. One is that India, so far as her export trade is concerned, is being treated on a different plane from the other colonies and dominions ; whereas the colonies and the dominions are given a free hand in the matter of export trade, India is placed in such a position that the whole of her export trade has to be carried on according to the dictation of the British policy. Take the case of licence for shipment. Now, India exports linseed, jute or makes jute goods, but we all know to our cost how the price has been deliberately lowered in order that the British Government may be able to buy those very goods at the lowest possible price.

I give you the instance of not only linseed but also the case of jute and jute goods. Times without number, they have said that they want these commodities for the purposes of the war. The Bengal Government have done their very best to benefit the agriculturists, but these Europeans and the British Government in particular have got the deliberate policy of keeping the prices of these jute goods as low as possible to the detriment of the mercantile community concerned and it is working havoc in Bengal. I say the time has come when the agriculturist will not get proper prices for the jute. Similarly, in Bihar the mica merchants are ruing for the policy adopted by the Government. The price of mica had gone up and it remained at a high level, but deliberately the Government did not give a licence for the shipment of mica. The result is the price of mica has tumbled down much to the loss and inconvenience of the merchants concerned in Bihar. Similarly, they have controlled the export of other commodities too. Again they have used this exchange, the cross rate exchange, to their benefit. The official cross rate is 4.02, but they get the rate in New York at perhaps 3.46 or 3.48. You have got to buy this exchange through various people who are connected with the Reserve Bank of India and the Reserve Bank will buy it from the Bank of England, so that the Bank of England gets the difference between 3.45 and 4.02 in respect of each shipment to the detriment of the Indian people. In other words, if you export about 40 crores, they will make easily about 4 or 5 crores which does not go to the benefit of the Government of India but goes into the pockets of the Bank of England. For that they not only restrict the export but they deprive the merchants here and the Government of India here of the legitimate benefit which they could have made otherwise, and it goes into the pockets of the Bank of England. Similarly, take the case of destination of the goods. We are not in the know as to how the goods are to be shipped and when. Sometimes they say it is a three months programme and you will have to declare today as to when and how you are going to do it, and if you do not declare, you may not ship your goods at all. The picture of the purchase price from London is a horrible one. In the case of linseed, my friend has pointed out how it has been used for the benefit of the London people in order that they may buy oilseeds at very low prices. All these have an accumulated effect on the export trade and I say the present policy of Government is to get raw materials from India at the lowest prices possible, depriving the agriculturists of the benefit which they would otherwise get, and later on, if I may make a forecast, the time will come when England will adopt a policy of export thereby compelling India to buy their machinery and other finished products at a very high price while India will have to supply her raw materials at very low prices. This has a very bad effect on India's economic position which otherwise would have resulted in some benefit to India. For the last 8 or 9 years the export trade of India has suffered. We have passed through a state of depression. Our agriculturists have lost very heavily and their distress gold has gone away to England with the result that, as you, Mr. President, have pointed out, the masses are now buying silver, and if you go and see whether piecegoods is being sold or not, whether sugar is sold or not, the answer is that the masses have not got the buying power to buy all these commodities. Otherwise, today you would have seen cheerful, instead of sad, faces attending this Federation. When you go to Bombay and Ahmedabad, in spite of the strike, in spite of factors in our favour, they cannot sell the stock, it is lying heavily on the shoulders of the industrialists here. Similarly, in the case of sugar, we would have been able to sell our sugar at proper prices if the purchasing power of the people is at a higher level. So, this resolution is connected not only with the price that we can get, but the whole economic position of the country depends partly upon the export policy which is being adopted by the Government. I, therefore, commend this resolution to the acceptance of the Federation.

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* Speech not corrected.

Mr. Nandlal Bhuta (Grain Merchants Association, Bombay) :

Mr. President and Gentlemen,

I rise to support the Resolution so ably moved and seconded by the previous speakers.

I have nothing more to add to what has already been said except a few words on the subject.

The restrictions placed by the Government of India, perhaps you all know, have seriously jeopardised the solvency of the country in international commerce, in respect of neutral countries. One is led to construe this Government policy of restrictions on the export trade with neutral countries as a veiled effort to provide an unfair opportunity for the U. K. purchasers to buy the Indian produce at lower prices—at least the various prohibitions, regulations and checks devised by Government on our exports, have resulted in such an impression gaining ground.

While exports of certain commodities have been totally prohibited, exports of a number of others are allowed only under a permit licence. It is significant to note, however, that the requirement of obtaining export licences does not apply to Empire countries, with the consequence that the market for Indian commodities thus restricted has of necessity to depend upon whatever demand and terms U. K. and Empire markets may offer. Again the system of export quotas fixed for the various countries is proving a real hardship to exporters, because the basis on which such quotas are calculated is considered unfair to small exporters who are practically driven out of their business.

This determination of quotas in many cases involves great difficulties on the part of the exporters in producing proofs for shipments made in the past to particular places. For instance, in previous years the goods may have been sent to principal ports like Hamburg, Genoa, Antwerp for transhipment to other destinations. In such cases exporters have no documentary evidence to prove the amount of the previous exports regarding such shipments.

I am sorry, Gentlemen, the resolution under reference requires the mention of practical difficulties such as this actually encountered by exporters during the course of their business necessitated by this restriction policy of Government and I hope you will bear with me a little further.

Again, the machinery of control is centralised, leaving no discretion in the hands of the local Customs authority, who have to wait for instructions from Delhi before taking any action.

After having secured the export quota, the next trouble facing the exporter is equally herculean. I am sure you are not unaware of the difficulties of securing freight space for the goods waiting for export. For all practical purposes, the question of freight space for Indian exporters is conclusively determined by British shipping and as a result the exporter here has met with serious difficulty in finding adequate freight space for goods waiting in the Docks.

The rational object of these checks, regulations and licences could conceivably be only to prevent exports from reaching enemy territory. So far, we agree ; and everybody should co-operate with Government. But the manner and method of this control have evidently operated harshly in case of Indian exporters and prevented them from obtaining permits for exports to countries other than enemy territories. The Certificate of British Consuls in neutral countries guaranteeing that imported goods would not find their way into enemy territories should have been sufficient guarantee for the purpose of issuing export permits for goods exported to neutral countries. As an additional factor, the machinery of foreign currency control vested in the hands of the British Government, who have devised such terms of negotiations as would favour only their own interests, has placed the Indian export market at a great disadvantage. As a result, the Indian exporter has been prevented from having the benefit of negotiation in foreign currency as he has, under the control, to pay and receive in British sterling only.

The prices of Indian produce were slowly gaining ground on account of the disturbed situation in Europe from the beginning of last year. The declaration of war in September 1939 gave further impetus to prices and the export trade naturally dreamt of prosperous times. But this ingenious introduction of various restrictions on export trade, under one pretence or other, has now practically commandeered Indian produce for the benefit of the U. K. purchasers, who are placed in a position to dictate the terms and prices they will pay for the Indian produce.

Thus, a circumstance has arisen, in which the restrictive policy of Government, though justified in principle, bearing the colour and suspicion of motives other than those of ensuring war necessities, has resulted in creating an artificial shrinkage of the legitimate market for Indian produce abroad, with consequent fall in prices and the difficulty, if not the impossibility, of disposal of exportable surplus of Indian produce. For instance, the price for groundnut oil cakes which was quoted at Rs. 60|- per ton before the outbreak of hostilities has gone down to Rs. 38|- per ton in Kathiawar. Again we get for our exports to neutral countries £1 more than for those to U. K. if we could obtain a permit for export to neutral countries. This applies to oilseeds as well. Further I may say that the neutral countries are willing to purchase groundnut oil and it is possible for them to do so at £40 while U. K. was not interested for £34. Such is the case with many other articles which I do not propose to enumerate here and take your time. In such a position as this, it is the bounden duty of Government to come forward and actively and vigorously assist the Indian peasant and merchant and industrialist by buying up their exportable surplus at fair prices, and believe me, Gentlemen, there are ample opportunities for Government to do so, given the requisite will and sympathy.

Sirdar P. S. Sodhbans: I will not detain you for long. I only want to point out a few things with regard to the export trade restrictions which have been placed on our export trade. Shipping has been allocated, 60 per cent for Government, 35 per cent for trade with the U. K. and 5 per cent for trade with other countries.

Under this arrangement, it is very difficult for Indian merchants to get steamers, and therefore great hardship is being felt by the exporters and the export trade of India to foreign countries has been paralysed owing to the present action of the Government. So far as sugar is concerned, we are governed by the sugar convention. In the peculiar circumstances created by the war, and in spite of the fact that there is war, there is a great slump in the sugar market and large quantities of sugar are lying idle. Either the British Government should purchase the entire stock in this country or they should release us from that convention, so that our sugar stocks may be exported. Owing to the restrictions which have been placed upon the Indian exports the prices of agricultural produce have not risen. Take the case of wheat which is the special produce of my province the Punjab. The price which the agriculturists are getting is not above the cost which they incurred in producing it. The price is much below cost price and this is the position as far as wheat is concerned. Similarly other gentlemen have told you about other agricultural products. With these words I support the Resolution.

The Resolution was declared carried unanimously.

President: Gentlemen, I have to announce one or two things. Mr. Livingstone, the Agricultural Marketing Officer, has invited the members of the Committee and the delegates for tea. He has entrusted the duty of sending the invitations to the Federation Office but unfortunately it has not been possible for the office to deliver the invitations to each of the delegates. So, on his behalf, I extend the invitation to you to be present at Maiden's Hotel at 5-15 this afternoon.

The Federation will meet tomorrow at 10-30 A.M. The first item will be the Address of the All-India Organisation of Industrial Employers and the second will be the International Chamber of Commerce, Indian National Committee address and then the subjects on the Agenda of the Federation will be taken.

The Federation then adjourned till 10-30 A.M. on Sunday, the 31st April 1940.

SECOND DAY'S PROCEEDINGS

SUNDAY, THE 31ST MARCH, 1940

The Annual Session of the Federation resumed its sitting at the Old Assembly Hall, Delhi, at 11-0 A.M., with the President, Dewan Bahadur Ratnasabhapati Mudaliar in the Chair.

The following elections were declared unopposed :—

President : Mr. A. L. Ojha.

Members :

Transport : Mr. G. L. Mehta (Indian Chamber of Commerce, Calcutta).

Insurance : Mr. J. C. Setalvad (Indian Insurance Companies Association, Bombay).

Sugar Mills : Lala Padampat Singhania (Merchants' Chamber of U. P., Cawnpore).

Honorary Treasurer : Mr. Chunilal B. Mehta (Indian Merchants' Chamber, Bombay).

President : The other elections will be made by ballot.

President : Before I ask Mr. N. R. Sarker to move Resolution No. 2, I should like to offer him a most hearty welcome on behalf of the Federation. We are all happy to see him back again in our midst to take an active part in our deliberations and I am sure his ripe experience as a Minister and as a leading businessman will be of considerable help to the Federation.

Mr. N. R. Sarker (Bengal National Chamber of Commerce, Calcutta) :

Sir, before I move the Resolution standing in my name, I must express my gratefulness to you for the very kind words that you have expressed personally about me. I can assure you that my services whatever they are worth will always be placed at the disposal of the Federation which I love so much.

The Resolution which I have the honour to move runs as follows :

TARIFF POLICY

The Federation welcomes the assurance given by the Hon'ble the Commerce Member that the Government of India contemplate

the liberalisation of the conditions of the Fiscal Commission, under which Protection is granted, so as to encourage the development of industries necessary to meet the requirements of war, and the further assurance that the new enterprises established during the war would not be left unprotected at the end of the present hostilities.

In this connection, the Federation urges upon the Government the necessity of modifying their present procedure of granting Protection, in the following manner:—

(*a*) In the case of minor industries which, by their very nature, are not in a position to establish their case before a Tariff Board, Government should forthwith undertake *ad hoc* enquiries on the lines of those conducted by Dr. Meek or Mr. Nehru, and should grant immediate Protection to such minor industries on their recommendations.

(*b*) Industries which have been found vital in themselves or as auxiliaries to other industries during the war, should be entitled to protection even if the raw material is not available or skilled labour may not be there during the initial stages.

The Federation urges that with a view to give effect to the above, the Government should set up a permanent Tariff Board with such changes in the personnel as may seem necessary from time to time in accordance with the nature of the industries applying for protection.

The Resolution, Sir, is self-explanatory. It embodies and expresses our long and insistent demand that the fiscal policy should be liberalised so that the pace of industrialisation may be quickened. The policy of discriminating protection has of course greatly helped the development of some of our industries but the inherent conditions underlying discriminating protection have hampered the growth of ordered industrial development of the country. Under the present discriminating protection policy, stress has been laid more on industry than on industrialisation of the country as a whole. That is why the Indian commercial community has been demanding that the fiscal policy should be reoriented so that the formula devised by the Fiscal Commission may be so liberalised that the industrial development of the country can be accelerated. During the last war many of the industries which gave an impetus to the preparation of war materials were not given any help by Government after the war was over and consequently they had to suffer loss. In reply to that the Honourable the Commerce Member has given us an assurance that so far as those industries which would help in the preparation of war material are concerned, Government will continue to give protection even after the hostilities are over. In the first part of the Resolution we have expressed our gratefulness for such assurance. It will indicate that the commercial community can be grateful even for small mercies. The Honourable the Commerce Member has said that so far as the industries necessary for war materials are concerned they will make a little liberalisation in the policy of protection, so that even after the war that protection may be continued, and for that we have welcomed his assurance. Though he has not thereby bound Government yet I am sure very soon he will announce his plan to give effect to his assurances. Indeed no special reasons need be cited for insisting on the revision of a policy which is more than fifteen years old and which was conceived before the Great Depression, the abandonment of Gold, the onset of economic nationalism and all the revolutionary changes of the present era in world trade and industry. It is only natural that Government should recognise that this policy has been rendered obsolete by the swift rush of world events.

The policy of discriminating protection as you know, imposes three tests, each of which has to be fully satisfied before an industry can be entitled to such favoured treatment. They are, first, that the industry must be one possessing natural advantages (such as an abundant supply of raw material, cheap power, a sufficient supply of labour, or a large home market), secondly, that without the help of protection it was not likely to develop at all or not so rapidly as might be considered desirable, and, thirdly, that it would be eventually able to face world competition without protection. The rationale of these three conditions is obvious. They are just logically derived from the infant industries argument which orthodox free traders accept as the only legitimate modification of the doctrine of *laissez faire*. But the rigid application of every one of these tests tends to deprive the country of a large number of new industries whose contribution to the national economy is certain to exceed by far the cost of any protection they might require. I may also point out that by insisting on every one of these conditions being satisfied by each claimant for protection, the policy tends to ignore the claims of industrialisation as distinct from the claims of industries. A compact and rational structure of Indian industry is far more important than a collection of industries which have passed each of the tests prescribed by the Fiscal Commission. The most serious effect of the policy of discriminating protection is, therefore, not so much the turning down of the claims of particular industries as the postponement of the task of consolidating and cementing the structure of Indian industry and making it fit for more and more impressive superstructures.

I may now proceed to examine the working of the policy laid down by the Fiscal Commission. The application of this policy has even within the brief period of its initiation been followed by certain curious experiences for which perhaps no parallel can be found in the fiscal history of any country. First, under this policy, the initiative of referring a case to the Tariff Board has always rested with the Government who have freely guillotioned proposals even before these could have reached the Tariff Board. Secondly, the Tariff Board itself has been given the status of an *ad hoc* body, its term not to speak of the tenure of its members, being at the pleasure of the Government, who further determine its scope and terms of reference. Now these are conditions precedent to an examination of the case of any industry by a Tariff Board. Then commences an enquiry by the Tariff Board on the principles laid down in the policy of discriminating protection.

The first condition enjoins that an industry seeking protection must possess *inter alia* an abundant supply of raw materials within the country. This is asking too much and should make it impossible for any industry except a fortunate few, to be deemed eligible for protection. In the present condition of our industrial development, when India has to depend on foreign countries for the supply of basic chemicals, an insistence that any industry seeking protection should be cent per cent independent of foreign raw materials would be palpably uneconomical. Under sheer pressure of necessity, our Tariff Boards have often construed this clause a little liberally in recognition of the absurd consequence which it would otherwise entail. The recommendations of the Tariff Board in this regard have not however in all cases been accepted by the Government, the most important instance being the case of the Glass Industry whose claims to protection have been rejected on the ground of its dependence on foreign countries for the supply of soda ash. It is possible that there are a large number of other industries which were deterred from applying for the grant of protection on account of this handicap, and it is necessary that this restriction should be totally removed. It is only after a sufficient market for the raw materials has been created by the existence of a number of secondary industries consuming these materials that we can hope for these being manufactured within the country, and the policy of insisting on the availability of raw materials before protection could be granted to industries is like putting the cart before the horse. Same observations also apply to the question of the availability of skilled labour. You cannot certainly expect labour to be skilled unless you give it scope for employment and the development of industries and the training of labour must by the very nature of the case proceed simultaneously.

In this connection, I shall also refer briefly to the condition laid down by the Fiscal Commission regarding the ability of an industry to withstand foreign competition without the aid of protection. Few can question the fact that it is even more difficult to apply that test than to satisfy it. So long as the continuance of free trade was a reasonable presumption, and costs and prices of likely competitors were capable of computation in advance such a test had meaning and validity. Today, it would be only fair to acknowledge that the test cannot be applied without grave risk of injustice, not only to particular industries but to the country as a whole. With the growth of economic nationalism in other countries, and the grant of direct bounties and subsidies by their Governments, Exchange control, it is increasingly becoming difficult for Indian industries to compete with foreign imports. To ask them to give an assurance that they would be able to dispense with the need for protection at the end of a specified period is, in these circumstances, extremely unreasonable. The Fiscal Commission, when they made this recommendation, could hardly have anticipated the trend of world economic policy in future, and it is only fair that with the change in the conditions of the world since effected, there would be a corresponding change in a policy of the Government as well. Further, it should also be remembered that industries must justify themselves not so much by their costs in relation to those of their foreign competitors but by the progress which they render possible in the national economy. As I have already said, the policy followed by the Government of India is rather unique in the sense that nowhere in the world is the grant of protection to industries hedged in by so many restrictions as in this country. I will mention the case of England, the country which, we are told, is the home of Free Trade. If we compare the triple conditions laid down by the Fiscal Commission with those that govern the grant of protection in England, we cannot but be impressed with the elasticity of the provisions of the latter, the underlying object of which is obviously to promote comprehensive industrialisation of the country. As far back as in 1925, only two years after the Government of India adopted the policy of discriminating protection, the Board of Trade in England in a White Paper set forth the conditions on which safeguarding duties might be imposed in order to protect industries from undue foreign competition. These conditions were as follows :

(*i*) The industry must be of " substantial importance ", having regard either to volume of employment or nature of product.

(*ii*) The competition of foreign exports must be " exceptional " and causing, or likely to cause, serious unemployment.

(*iii*) The competition must be " unfair ", owing to differences between foreign and British conditions of production. The tests to be applied in respect of this condition were that competition was unfair arising from —

(*a*) Currency depreciation giving a bounty on exports ;

(*b*) Direct bounties and subsidies from Governments ; and

(*c*) Inferior conditions of labour.

Later on, even this policy proved to be inadequate and in 1932, the Import Duties Act was enacted to encourage the development of industries. The spirit that guides the tariff policy of the United Kingdom at the present moment is evident from the expressly laid down function of the Import Duties Advisory Committee which has been set up by this Act to consider " the advisability in the national interest of restricting imports into the United Kingdom and the interest generally of trade and industry in the United Kingdom." I may also mention that under the Tariff Act of 1922, the functions of the Tariff Commission of the U. S. A. were extended so as to empower it to undertake special investigations in order to discover whether it was desirable to impose special rates and restrictions (*a*) in order to equalize costs of production, (*b*) to cope with unfair methods in export trade (e.g. subsidies given by other countries to their exports), or (*c*) to assure equitable treatment of American products and commerce by foreign countries. If such conditions and consideration of national interest form the background of the fiscal policy of advanced countries like United Kingdom and the United States, India, industrially backward as it is, may well expect that similar consideration for the development of industries which are to Indian interest should be one of the principal criterion in the granting of protection.

I will now make few observations regarding minor industries. I need hardly state that minor industries occupy a very important place in the national economy of the country. In a sense they are no less important than the bigger industries, inasmuch as they cater to the varied demands of the community, while the capital invested in them and the number of workers employed alike entitle them to a special consideration at the hands of the Government. Unfortunately, however, we have very little facts and figures available in the country regarding these industries, as most of them have so far been left outside the scope of enquiry by the Tariff Board. Very few of them have been given any protection against foreign competition, and while we had been expecting some substantial assistance as a result of the excellent enquiry undertaken by Mr. Nehru, the Government of India for reasons which were not at all convincing suspended the enquiry. My point in referring to this is to stress that the small industries, by the very nature of their case, cannot always place their case in a manner that would satisfy a Tariff Board, and a Departmental enquiry like the ones conducted by Dr. Meek and Mr. Nehru is eminently suited to their requirements. I should also state that the case for liberalisation of the formulae of the Fiscal Commission, to which I have referred before, is even more strong in the case of minor industries than in regard to bigger industries. It is essential that the Government should give their sympathetic consideration to the claims of the minor industries to protection and, while dispensing with the need for an elaborate procedure as may be prescribed for bigger industries, should also relieve them from the obligation to satisfy the rigid tests prescribed by the Fiscal Commission.

The last part of the Resolution contains a demand for the immediate institution of a permanent Tariff Board. The existing system of appointing *ad hoc* Committees for the purpose of enquiring into the claims of industries for protection referred to them by the Government cannot be considered adequate for our needs. I may recall here that in almost all other countries the Tariff Board is a permanent body. Even in Great Britain the Import Duties Advisory Committee is permanent, and not *ad hoc*. Further, it is also the initiatory body in the actual work of tariff construction. In India also the Tariff Board should be a permanent body. And its personnel should consist of men with no political bias, but with requisite efficiency such as knowledge and experience of India's economic conditions as well as the working of our tariffs, of the tariff system of other countries and also of the working of international and imperial conferences dealing with economic questions. To ensure the necessary independence and integrity, the members of the Tariff Board should be irremovable except by certain special procedure and should not at any rate hold office at the pleasure of the Government. The main function of the Board should be not only to institute enquiries on their own initiative into cases of industries seeking protection but also to investigate and report on special questions relating to tariff and industry such as cases of dumping, schemes of preferential trade agreements, complaints against the abuse of the protective system by manufacturers. This will ensure a specialised study of the requirements of India's trade, industry and commerce and at the same time, the timely adoption of requisite measures calculated to further India's economic interests in the best possible manner.

The great need of the hour is decision and expedition. We have already lost much valuable time. It would be suicidal to procrastinate any longer. Let not Committees and Commissions be set up to shelve issues and delay matters. A bold enunciation of Government policy without any avoidable delay is essential if India is to take full advantage of the tremendous opportunities which are knocking at her door. Let it not be said in future to our lasting regret that when the real opportunity came, we dilly-dallied and shilly-shallied and let it slip by. We should profit by the experiences of the last War and launch a conscious and planned policy of industrial development. The main responsibility however rests with the Government of India. The policy they will enunciate and the measures they will institute now will largely shape the future industrial progress of this vast country.

Mr. Chunilal B. Mehta (Indian Merchants' Chamber, Bombay):

Mr. President and Gentlemen,

I have pleasure in seconding the Resolution moved by our friend Mr. N. R. Sarker.

A resolution on this subject is a hardy annual. In the session held in April 1936, there was a resolution on "Protection of Industries". There was also a resolution at the same session on "Import Duty on Dyestuffs and Sodium Sulphite". At the meeting held in April 1937, there was a resolution on "Import Duty on Raw

Materials", and also one on "Fiscal Policy", at the 1938 session. Last year also there was a resolution on the same question. The objective of all these resolutions was one and the same and that was to have necessary help from the Government of India for the development and expansion of Indian industries.

The present policy of "Discriminating Protection" was adopted as a result of the recommendations of the Fiscal Commission of 1922. During the 17 years that have elapsed since then, much water has flown in the Ganges, and there has been practically a revolution in the economic policies followed by different countries and in the manner and method of developing their industries.

Great Britain abandoned the Gold Standard in the year 1931, and had to adopt at the same time a new fiscal policy, the reason being that all the important independent countries of the world had adjusted their fiscal policy with a view to reduce their imports and increase their exports.

I may be allowed here to point out that though Great Britain definitely and openly broke from her old moorings in that year, she had been drifting in that direction ever since the days that Joseph Chamberlain came out with his proposals in 1906-07 for giving a protectionist colour to the British Fiscal Policy. The last Great War did much to foster this protectionist spirit in Great Britain, and slowly and steadily she proceeded in that direction till 1931, when she became a protectionist country. The adoption of this policy by Great Britain in 1931, along with her abandonment of the Gold Standard reduced her unfavourable trade balance to a large extent. Though there were other factors in this direction, the most important one was the adoption of this policy.

What I want to point out is that the report and recommendations of the Fiscal Commission of 1922 have become old and useless now. As a matter of fact, at present events are happening in the world with such a startling rapidity that reports of 10, or even 5 years old would become useless documents.

During the last decade India entered into two agreements: The Ottawa Pact and the Indo-Japanese Trade Agreement. Since the Ottawa Pact there has been a loss in our trade with Continental countries, who naturally were not favourably impressed by it and who considered it as directed against them. As such there was deterioration in our trade position and to an appreciable decline in our favourable balance of trade.

I should like to draw your attention here to some figures which I have got printed and distributed amongst you, showing the position of our balance of trade with foreign countries and British Empire. I have compared therein the balance of trade for 1938|39, the latest figures available, with the figures for 1929|30 and for 1930|31. I have taken 1929|30 for purposes of comparison, as it was a peak year just before the depression, and I have taken 1930|31, as it was the year following the depression and just preceding England's abandonment of the Gold Standard. We had a favourable balance of trade of 1,425 lakhs in 1938|39 with foreign countries as compared with our favourable balance of 8,698 lakhs for 1929|30, showing how as compared with the peak year our balance of trade had fallen off by almost 7,273 lakhs. With regard to the British Empire in 1938|39 we had an adverse balance of 382 lakhs, but it was a better position than when compared with 1929|30, when we had an adverse balance of 985 lakhs. If we now compare our balance of trade figures for 1938|39 with those for 1930|31, it will be seen that we had a favourable balance of 1,425 lakhs as compared with 4,737 lakhs for 1930|31 for foreign countries, showing a loss in our trade of 3,314 lakhs. With regard to the British Empire, we had an unfavourable balance for 1938|39 of Rs. 382 lakhs as compared with our favourable balance of 1343 lakhs in 1930|31. We had last year a favourable balance of trade with regard to all countries of 1,043 lakhs as against 7,713 lakhs in 1929|30, and 6,082 lakhs in 1930|31. It will be thus seen how the favourable balance of trade has been seriously curtailed and reduced in recent years excepting in 1936|37 when there was a spurt and we have lost heavily in our trade with foreign countries. If you examine the figures with regard to individual countries, the same results will be manifested.

Unfortunately, Government, in their taxation policy, do not always look to the interests of our industries; as otherwise Sir James Grigg, the ex-Finance Member, would not have raised the import duty on raw cotton from half an anna per lb., despite country-wide protests his proposal met with from the commercial and industrial community. It raised the burden of cost on the cotton textile industry concerned with higher counts and finer varieties of cloth. One anna per lb., which is a specific duty would be equal to 12½ per cent if cotton was at Rs. 400 and would be equal to 25 per cent if cotton was at Rs. 200. As a matter of fact, the cotton market declined materially after the imposition of this duty, and the incidence of the duty was, therefore, very high.

The resolution which is now before us, and which has been before the Federation so many times, aims at freeing the country from the incubus of the policy of discriminating protection which has become out of date and needs a thorough revision. I need not go over the ground of the conditions laid down by the Fiscal Commission, or I should say, by the majority of the Fiscal Commission, as they have been dealt with several times. The minority, including our distinguished countryman and doyen of Indian industrialists, Sir Ibrahim Rahimtoola, were of opinion that the policy of discriminating protection was hedged in by conditions and provisions which were calculated to impair its utility ; and that it required to be substituted by a more forward policy. They further observed that the people of India would not be satisfied by a policy which was likely to concentrate their efforts for many years to come on the manufacture of simple forms of manufactured goods. What we now strongly advocate is that this policy of discriminating protection should be changed to a scientific protection. Those articles, which are necessary for running Indian industries should be allowed quite free, or at a very small import duty, such as industrial raw materials, machinery and other equipment, which cannot be manufactured in this country. There should be a separate schedule of import duty for those articles which are semi-manufactured and a third schedule for articles which directly compete with Indian manufactures and against which there should be substantial revenue duties even though they may not be given the name of protection. There are a number of articles which can be easily manufactured in this country, even though we may not have abundance of raw materials for the same. That condition, therefore, laid down by the Fiscal Commission, is now out of date and should be replaced by the principle that we should only be governed in our fiscal policy by the consideration of there being a sufficient market for the products of a particular industry in India.

As I have previously remarked, while all over the world different countries are shaping their economics more and more on nationalist lines, it is but natural that the favourable trade balance of India should go down. Since 1931 India has been living on her capital resources, which is proved by the huge exports of gold from India. Exports of gold cannot be expected, however, to continue for ever, and there is no likelihood in the near future, of India obtaining the necessary favourable balance of trade.

We should have a permanent Tariff Board on the lines of American or Australian Tariff Commission. I may mention that the U. S. A. have got a Tariff Board, which is called the Tariff Commission. The U. S. A. Government are not content with getting only a report or two during the course of the year from this Commission, but refer to it all cases calling for review in matters of tariff. The Commonwealth of Australia has also broad and comprehensive functions for its Tariff Board, which holds during the year a large number of sittings and submits to the Minister for Trade and Customs large number of Reports with regard to tariff matters. As compared with these Tariff Commissions, the constitution of Indian Tariff Board, as a purely investigating and advisory body, is almost a mockery.

If India has to meet her foreign obligations, including Home Charges, she has to reduce her imports and maintain a favourable balance of trade, which can only be done by the adoption of a national and scientific economic fiscal policy.

There are a number of industries which can well be started and developed in this country such as Pharmaceutical drugs, chemicals, electrical goods, bicycles, heavy machine tools, paper, hardware, paints, stationery, soaps, cutlery and manures, provided sufficient assistance is assured to those who may come forward to start the same. In this connection, we are glad to note what the Hon'ble Sir A. Ramaswami Mudaliar, Commerce Member, stated in the Assembly as follows :—

> "In the last war, industries had sprung up for war purposes but had languished on the achievement of peace. The Government of India were seized of the desirability of preventing the recurrence of a situation where those who assumed the responsibility of production of war needs or to meet the inevitable lacuna in imports would be left high and dry when the immediate purpose of their undertaking ends."

There is a publication by the League of Nations on "World Production and Prices" giving the following interesting figures with regard to production for 1930 and 1939 :—

Countries	1930 %	1939 %
Canada	85	101
Chille	101	122
Japan	95	173
Germany	86	139
Denmark	108	139
Italy	92	105
United Kingdom	92	122

[*Continued on page 89.*

India's Merchandise Trade Statistics

(In Lakhs of Rupees)

+ Favourable Trade Balance
— Unfavourable Trade Balance

—	1929-30	1930-31	1938-39
Foreign Countries			
U.S.A.	+ 1,937	+ 602	+ 409
Japan	+ 897	+ 933	— 85
China	+ 896	+ 994	+ 74
Argentine	+ 702	+ 363	...
France	+ 1,237	+ 828	+ 476
Italy	+ 474	+ 342	— 9
Spain	+ 331	+ 207	+ 10
Netherland	+ 467	+ 345	+ 199
Belgium	+ 542	+ 290	+ 113
Germany	+ 1,070	+ 188	— 536
All other countries	+ 145	— 353	+ 774
	+ 8,698	+ 4,739	+ 1,425
British Empire	— 985	+ 1,343	— 382
Final Balance	+ 7,713	+ 6,082	+ 1,043

Loss in trade in 1938-39 with Foreign Countries as compared with 1929-30 = + 8,698 + 1,425 = — 7,273.
Gain in trade in 1938-39 with British Empire as compared with 1929-30 = — 985 — 382 = + 603.
Loss in trade in 1938-39 with all countries as compared with 1929-30 = + 7,713 + 1,043 = — 6,670.

Loss in trade in 1938-39 with Foreign Countries as compared with 1930-31 = + 4,739 + 1,425 = — 3,314.
Loss in trade in 1938-39 with British Empire as compared with 1930-31 = + 1,343 — 382 = — 1,725.
Loss in trade in 1938-39 with all countries as compared with 1930-31 = + 6,082 + 1,043 = — 5,039.

Note (1) Figures for 1929-30 and 1930-31 include Burma.
Figures for 1938-39 exclude Burma.

Note (2) India has generally unfavourable trade balance with Burma for about Rupees 15 crores.

Continued from page 87.]

There is, however, no mention of India here, which shows that the League of Nations either did not care to include India in these statistics, or the Government of India did not care to supply these figures to the League, more probably the latter.

At present, owing to war, every country tries to increase its exports as much as it can. To develop her industries and increase her exports in Great Britain, an Export Council has been formed, plans having been prepared for a drive for stimulating exports. The first export group that has been formed is for the woollen industry and negotiations as regards cotton exports are going on with different merchants. We are not in a position to export manufactured goods to any considerable quantity, but we can surely try to keep down our imports and satisfy our home requirements by the development of industries by a scientific Tariff Policy, with the help of a permanent Tariff Board.

With these words, Gentlemen, I commend the Resolution to your approval.

Mr. N. L. Puri : Sir, I have great pleasure in supporting the Resolution which has been so ably moved by Mr. N. R. Sarker and seconded by Mr. Mehta. The subject has been very thoroughly discussed and exhaustively dealt with by them and I commend the Resolution for the favourable consideration of the House.

Rao Sahib C. Hayavadana Rao, M.L.C. (Mysore Chamber of Commerce, Bangalore) :

Sir, I have great pleasure in further supporting this Resolution and in doing so I shall be extremely brief having regard to the very lucid remarks that have been offered in proposing the Resolution by Mr. N. R. Sarker. I do not think that we can add much to his remarks but there are some very important, nay, fundamental, considerations that have got to be remembered in urging this proposition on the Government. The scope of the Resolution is such that it befits the honour and also the attitude of this House. This is a business House and it is always very cautious. Businessmen in general are conservative in their tendencies and in their outlook. They do not want to make any fuss about the losses that they sustain by a continued and a persistent policy of stifling the industrial development of the country that has been going on for over 15 years since the question of the tariff revenue was taken up. Now, within the past 20 years there has been a development of tariff policy on particular lines. I will not dilate upon the subject of discriminating protection because that has been defined by the Commission itself which reported on it. It was based upon the fiscal formula that was adopted by the Home Government and the Government of India in consultation with each other. But within the past 17 years during which this discriminating policy of protection has been in existence, what benefit have we derived from it ? Have we built up our industries on the scale we should ? We have had the advantage of the best talents of this country and also the most adventurous among the industrial lights of this country on our side but every time when a proposition arriving at the development of a big industry was put forward, we had a very hard uphill fight to secure its acceptance. My friend, Mr. Mehta, a few minutes ago, referred to the remarks that were made in the Central Legislature. You will find that the Government sometimes negatives the very principles of protection that ought to receive attention at its hands. The silk industry made representations in the year 1937 and a Tariff Board was appointed in 1938. It worked throughout the whole of 1938 and submitted its report. The whole of 1939 was taken for the consideration of their report and nothing was done. In September, 1939, the war came and meanwhile we had the continuance of the protective duty at the old rate and now they say that no further action is required because the war has brought about conditions which have advanced the prices of silk and silk manufactures sufficiently to satisfy the recommendations of the Tariff Board and that Government find it impossible in the present position of uncertainty to form any definite decision as to a long-term policy ! As a matter of fact, you will see that this statement does not commend itself at all. If there had been a real desire to afford tariff protection at the proper time, they could have given it within the first six months of the presentation of the Tariff Board's Report. I propose to expand this point later on, but I must say at once that our Tariff Boards must be controlled by Statutory restrictions. It is very necessary that we should remember that within the past 15 years good work has been done even in these extraordinary conditions. I am sure a properly constituted Tariff Board would have done much more even for the British Government at this hour of crisis. If we had had a properly organised Board, it would have been of material assistance not only to the British Government but its work would have been such that it would have even helped in the settlement of political questions which are baffling solution today. They all say that the Indian question is not a political one but that it is an economic one. We all understand what economics means to the man-in-the-street. It is simply a question of bread and butter. The trouble in this country is that we are unable to feed 400 million people that inhabit it. Therefore, we want a Tariff Board which would provide employment under the existing conditions to all who need it and who, by such employment, add to its national wealth and add to its purchasing power.

What is there in the way of the British Government to have anything made in this country, even including armaments. I would suggest to my friends to go and see the factory at Cossipore and see what most wonderful things are manufactured there in the shape of armaments. If that is so, what could not have been produced in this country if there had been a proper policy of tariff protection in this country. I must say that almost everything from A to Z can be produced in this country. People who produced Dacca muslins in days of yore, which were considered the finest of fabrics in the world, could be relied upon to produce any stuff that is required for any purpose whatsoever from peaceful living to warlike conditions. What is standing in the way is the policy of the Government of India. That is the only thing that is standing in the way. We want a change, we want an absolute change in the policy of the Government of India. This Resolution actually advocates only a very cautious advance. It is very cautious in its suggestions ; it does not want to revolutionise the policy of the Government of India in this matter all at once. The Resolution is indeed very conservative. It says : do certain things in regard to industries that have been started during the war, try to improve them by giving them the necessary help in order that they might live and not die after the war. The second point in the Resolution is that auxiliary industries ought to come into existence and to some extent they should be protected ; and that they should be continued to exist after the close of the war to add to the prosperity of the country. That is the next thing. The third thing which this resolution says is this : There should be a permanent machinery established for the consideration of questions involving tariff protection. On that issue there can be no difference of opinion. The example of Canada has been quoted. The example of England and the United States has also been quoted. In United States there is permanent machinery available for this purpose ; also in Australia. We want such a body in India. We want such a body not for recommending "discriminating protection," as it is called. That should go by the board. The resolution asks for an active policy of protection, by way of substitution for the policy the Government have been pursuing during the last twenty years, namely, the substitution of what is really an anti-protectionist policy by an active pro-protectionist policy. The policy of the Government has all along been a negative one, the whole burden of proving the case for protection has been placed on the producer or manufacturer of would-be industries. We do not want a negative policy under which the *onus probandi* is placed upon the would-be manufacturer. We want that Government should follow a nationalistic policy. I am not using the word "national" in a political sense, but in the sense in which it would be both lawful and useful. The Government want the standard of living of the people of this country should be raised so that India might be the dumping ground for all Empire goods as well as for British goods. What I would submit is this : if you desire to raise the standard of living in this country, that is possible only to making this country a manufacturing country. That would be a very good thing. We want that the standard of living should be raised. That would mean increased employment to the people in this country. Employment connotes today not merely the agricultural advancement but also industrial development of the country. In fact, no country in the world has ever become great merely by agricultural improvement. Unless industry is developed on a scale hitherto unprecedented in this country, the manufacturers in this country would not get any chance for the next 50 years. Unless industrial development comes, employment cannot increase and the standard of living cannot go up. What is the change, therefore, that we want in this country ? In a word, we want that protection must be given to almost any industry that desires, whether raw materials are available in this country or not, whether there is electrical machinery and electric energy or not, whether it has skilled labour or not. It is for the Government to find out which industry needs protection and in what way or to what extent. We want to see an active tariff policy evolved in this country by which everything that will be necessary for starting a particular industry which may be of benefit to the nation should be done by Government. The only test for giving protection should be whether the starting or developing of a particular industry would be beneficial to the country, whether it would add to employment in the country, whether it would make subsidiary occupations possible, whether it would help to raise the standard of living in the country and add to the pockets of the nation. That is the truest test for a really positive policy of protection. It is only with the aid of such positive test that industrial development could at all be made possible in this country. What is the easiest way of giving protection to any industry ? There are many ways in which Government could actually help. We may want in one instance, an export duty for stopping the export of raw materials which may be useful in the country. That may have to be provided for by Government. From my personal experience, I can cite the instance of raw silk in Mysore. Upon raw silk, we are dependent for the manufacture of various things in the Mysore State. We have spent some 10 lakhs of rupees on spun silk manufacture. The industrial plant has been installed ; we have trained our labour ; we have experts, highly paid. But we have been put to this bad predicament today that the raw material—raw waste silk—is stepping out of our hands. If waste is really the delight of the manufacturer, we had a perfect example here. We took steps to collect the raw silk waste that was running literally to waste ; that waste which was going for almost nothing, which was a drug in the hands of the producer who is an agriculturist. We took it from him at from a nominal one anna per lb. to four annas per lb., which was 400 per cent the prevailing rate. Today, thanks to foreign exporters, the price has gone up to as much as 10 annas per lb. This is the latest prevailing rate. Just remember that from one anna, it has gone up to ten annas in the lb. ! The worst thing is that it is being sent out of India without any export duty on it put by the Government of India. If the Government in India were a " national " government, they would have preserved the raw waste silk for manufacturing purposes in India. The fear is that it is going wholesale to Switzerland and from there possibly to the enemy country. You know the products of silk waste form valuable aids for wrapping up and protecting shells and afford material for making aeroplane parachutes, etc. The manufacture of silk goods in Mysore has been practically disabled by the export of this waste product to Switzerland and from there I do not know where it is going to. It might be that it is even going to enemy country, or it might go to some other country first and from there, to the enemy country. We have practically come to a dead stop in our manufacture. Here is a case in which a small export duty on the raw material would help to save a national industry and such a duty would give the truest form of protection to our industry. Another way in which Government could help to foster national industries would be to impose import duties in order that goods that have been manufactured may not be brought here from abroad and dumped here to kill our nascent industries. Then again, Government can help in providing facilities for land, water, cheap supply of power, etc. What is wanted is a positive policy of protection which will enable this country to build its national industries along competitive lines.

Protection may also be given by Government in another way. It may help a particular industry with capital, or by affording facilities which only it can give. This is the sort of policy that is envisaged in the Resolution. No doubt the Resolution is very conservative in its recommendations. The Government should be made to realise that this House is for wholesale protection being afforded to the industries of the country and not merely what is called "discriminating protection." We want a positive policy of protection not only for the immediate present but for all time to come. Sir, I commend the Resolution for the acceptance of the House.

Mr. J. J. Kapadia: I want to point out a discrepancy in the Resolution. The Resolution refers to the setting up of a permanent machinery of tariff board whereas in the draft resolution which was circulated to all Members the demand was to appoint a permanent tariff board. So it is very clear that there is a fundamental difference between the appointment of a permanent tariff board about which Mr. Chunilal Mehta spoke in his remarks when he referred to the Australian and Canadian models and the setting up of a permanent machinery of tariff board. There is that machinery in existence today. So the last part of the Resolution does not constitute any advance on the existing situation. I should like to know whether it is the intention of the Federation that the existing order of things should continue. In the draft agenda we pressed for the appointment of a permanent tariff board who should be in a position to enquire into the claims for protection submitted by industries whereas we have receded from that demand in the revised resolution. I should like to know the reason why the committee have thought it proper to water down that important demand.

President: According to the information of the Committee, there is no permanent machinery in existence at present. What the Committee, however, wanted was that the Board should be permanent in the sense that the Board should have a permanent President and a Secretary and staff but the personnel of the Board should change to suit each industry as it came up for enquiry.

Mr. J. J. Kapadia: Today there is already a permanent machinery in existence. Last year we addressed the Government of India as to what was meant by a certain Resolution of the Government of India on the Tariff Board. There was a communique issued by the Government. There was some misunderstanding. The Government of India informed the Federation—if you consult the records of the Federation you will find out what it is, unfortunately I have not got the papers before me, but the Secretary can look up the papers—the Government of India informed the Federation that the machinery is in existence and what was dismantled was the personnel because in the near future no tariff enquiry was necessary or contemplated. The last enquiry was about sugar. Therefore the machinery is there today ; if the Government of India want to have the claims of any industry enquired into the machinery is there. I want merely clarification. I do not want it to be said that we have given up our demand for the constitution of a permanent tariff board. The resolution looks as if we have gone back on our previous demand. That is the whole point which I want to be cleared.

Mr. Chunilal B. Mehta: What I understand by this wording 'machinery' is that they would appoint an *ad hoc* tariff board any time and then they might disband it. Mr. Kapadia understands that there is a permanent machinery already. But the Committee construed that there was no permanent machinery at present. The industry has to approach the Government and then the Government might appoint an *ad hoc* Board or they may not appoint. What is conveyed is that there must be a permanent President, Secretary and office always in existence looking after the different routine things and then when a reference comes for an enquiry regarding protection for any industry, then the personnel of the tariff board be appointed. That is what is sought to be conveyed by the Resolution. To my mind it seems that nothing of our claims has been given up.

Mr. J. J. Kapadia: I am sorry I cannot agree with Mr. Chunilal Mehta. However, I do not want to waste the time of the Federation over the discussion on this point. I am only concerned with pointing out that what is stated in the Resolution which has been moved by Mr. Sarker is very different from the position which the Committee took up in the draft agenda. That is all that I wanted to point out. A permanent machinery is something different from appointment of a permanent tariff board.

President: We have made the point clear. Mr. Kapadia says there is a permanent machinery, but our information is there is not.

Mr. Chunilal B. Mehta: Might I suggest that we might add the words permanent machinery and permanent tariff board. Will that be all right ?

Mr. J. J. Kapadia: I am merely pointing out what I felt on reading the Resolution.

Mr. Chunilal B. Mehta: I suggest this in order there might be no ambiguity.

Mr. A. L. Ojha: The Committee went into the question and it was considered that the Resolution as it now stands was an improvement on the old Resolution. The Committee thought that a permanent tariff board would not only mean a permanent President and Secretariat but also a permanent Board with a fixed personnel. This we did not like because the nature of industries which seek for protection might vary. That is why you find the change in the Resolution as circulated now.

Mr. J. J. Kapadia: My feeling is that in the Resolution as it is moved at present you have considerably receded from the original position.

Mr. K. L. Narasimha Rao (Andhra Chamber of Commerce, Madras) : Sir, I have very great pleasure in supporting this Resolution which is very important and which affects India greatly. We require the protection and development of our industries. A country gets its wealth from two main sources, one agriculture, and the other trade, industry and commerce. I had to compile statistics, as a lecturer, of the income of various countries from agriculture and from industries, and I found that the proportion of industrial income both to the Government and to the people is much larger than in India. There is no doubt, therefore, that we have to develop the industrial wealth of our country at all costs. Books may be written on how to develop industries or how protection should be given, but it requires no argument to prove that our country must live. The cry everywhere is "Export or die" and on that principle countries are waging war today. We have, therefore, a right to develop our industries and Government ought to recognise it. They only say, however, that by giving protection, we may be exploiting the consumers who form the bulk of the population who may not get things cheap. Of course, the criticism is interested, and they say this in order to preserve the industries of England and other western countries and to create internal dissension in this country. So, if our industrialists bear this criticism in mind and see that they do not exploit the masses but they are with the masses and merely want to develop industries in the interests of the masses, and not merely for lining their own pockets, then much of the criticism that is levelled against this tariff policy by the Government will disappear. With these remarks I commend this Resolution to the House.

Mr. Nagendra Nath Rakshit (Bengal Industries Association, Calcutta) : Sir, I do not want to weary you with speeches but wish to draw your attention to only two points regarding this question. First, there must be some modification of the External Capital Committee's recommendation. Otherwise, if unconditional privileges are given to the foreign capitalists to come and establish their industries in this country and compete with our existing indigenous industries, then the effect of protection will be nullified. For example, if the Government of India is prepared to grant protection to the motor car industry, the Ford Motor Company can easily under the recommendation of the External Capital Committee establish here under the name and style of 'So and So, India, Limited' and compete with the national motor car industry. The second point refers to the excise duties imposed on a protected industry. It is my suggestion that sufficient powers should be given to this proposed permanent tariff board to enforce their recommendations on the Government, and that they must be consulted before any excise duty is imposed on any protected industry. Otherwise this protection will be a sort of taxation through the backdoor. With these suggestions, I beg to commend this Resolution.

Mr. Hooseinbhoy A. Lalljee, M.L.A. (Central) : Sir, many words are not required from me after the lucid speeches of Mr. Sarker, Mr. Mehta and Mr. Rao. This discussion has been very illuminating, but what I feel is, Government will find some way to evade it. They are past masters in that. But this much will be achieved by this discussion, that we can tell the Government that we understand all these things and they need not be under the impression that the people of this country do not know the advantages of protection or its necessity. One other result will be that a large number of our people will realise our existing conditions in our country. Above all, as businessmen, we can put this question directly to our government whether they will or will not change the present policy. A direct reply is necessary to our question. Another direct question which we must put straightway is whether over and above the requirements of the British industries, whether even now, we will be granted protection for the development of the rest of the industries. What do we find now ? Protection is not granted and all sorts of excuses are trotted out for one objective and that is this country is kept up for exploitation for all the European nations. I feel I ought to justify this assertion of mine. It is a well known fact that our government has felt that grazing ground should be provided in this country for the European nations. Take sugar. After years of drain of nearly 30 crores, protection came in. But from the start it was laid down that we are stopped from exporting sugar. Is this to be found in any other country ? Why was export of sugar stopped and in whose interest and for what purpose ? When attempts are made by every country even today to stimulate all their exports—when governments like the Japanese Government are giving subsidies and Great Britain is doing its level best to maintain its level of exports, may I ask in all fairness why the Federation should not ask why our sugar exports have been stopped and in whose interest ? What is the justification of Government in putting a ban on the exports of sugar ? Why do you not ask the Government a direct question : " Will you point out any other country which has stopped any of its exports into India ? " These are the two questions, plain and simple—why are our exports of sugar not allowed, and why is it that all foreign countries are allowed to bring into India anything they like and there is no ban against them ? Find out the reasons. I fail to see the reason for it. There was this drain of 30 crores, and now when we are able to export, we find we cannot export even to Afghanistan, our neighbour ; and, wonderful to relate, while our sugar has to pay excise duty, Java sugar going through Karachi has to pay no duty. Is there any such instance in the whole world ?

Take another industry. Salt. For years together, foreign salt was coming ; then protection was given in a half-hearted manner from year to year. Is there any other country like this ? It ought to be brought to the notice of the government that the interests of the agriculturists, which they trot out on every occasion, are not adversely affected by the sort of protection that was given to salt.

While they extended for a few years protection to salt, they fixed a maximum selling price. We here are only too glad and anxious to protect the interests of the agriculturists. We want their lot to be improved so that they may get more purchasing power. Without that what can we do ? But this Government which trots out their interests on all occasions, why don't they freely give protection and fix a maximum selling price ? Now what is the state of affairs ? While our sugar cannot be exported out of India, Italian salt can come in. Nobody has definitely asked that question, and no reply has been forthcoming, and can come in all equity and fairness. We have heard recently that negotiations have been going on in Europe in regard to economic matters and what do we find ? Accommodate this friend, find work for that friend, show some concession to this other friend by allowing exports to this country and so on ; but nothing, no talk about India ; and on top of all this, the policy of self-sufficiency is being propagated everywhere. In 1935, when I was in Geneva, every country came forward and said it must be self-sufficient. Our Government knows it very well. What have they done to protect us ? Look at the other side of the question. In many countries it has been urged that even raw or semi-finished products required for industries should be shown concessions in order to give employment to the people in those countries. Nothing of the sort is being done here. For example, I understand the duty on semi-finished products such as, drugs for medicines, raw films is just the same as on fully-finished products. Is this the encouragement that our government here gives to our industries ?

Government here which trots out its interest for our agriculturists and says now that the Agricultural Research Council wants 10 or 12 lakhs and, therefore, they want to impose a new tax to find this money, while they are finding crores for all other purposes. Have you heard anything like that in any other part of the world ? For the interests of 80 per cent of the population they cannot find even this 10 or 12 lakhs for this expenditure from the ordinary budget, but want to levy a special duty. These are the conditions, and under these conditions not only I do feel that this Resolution ought to be accepted at once without further remarks, but we should make much strong representation.

Sir Abdul Halim Ghuznavi : Sir, in supporting this Resolution, as I understand the position, there are two things that we demand here. The first is that the Fiscal Commission Report of

1922 is out of date,—that is what we say, and the second thing is we ask that there should be a permanent Tariff Board. In season and out of season we have been insisting in the Assembly for the constitution of a permanent Tariff Board, but it has been refused to us till now. The Resolution says that the Government of India contemplate the liberalisation of the conditions of the Fiscal Commission. This Federation should point out to Government, pending a new Fiscal Commission Committee for making investigations, the necessity of adopting the measures which we have stated in this Resolution ; pending their further Report, they should straightway adopt what we want them to adopt, namely (*a*), (*b*), (*c*) and (*d*).

Then, Sir, with regard to the permanent Tariff Board, that has been the grievance of all of us in the Assembly. The one condition of the permanent Tariff Board is this, that the personnel of the Tariff Board must be absolutely free from bias, and they should not be dependent for their continuance in office on the will of the Government. They must be free to give frank expression of their views and tender their advice without fear or favour. Their appointment should be permanent ; they should not be transferred from one Tariff Board to another year after year. With these few observations I support the motion.

President : Gentlemen, with your permission, I will take the last paragraph of this Resolution which has been further improved in the following manner to avoid any ambiguity about the matter. The last paragraph reads thus :—

"The Federation urges that with a view to give effect to the above, the Government should set up a permanent machinery of Tariff Board with such changes in the personnel as may seem necessary from time to time in accordance with the nature of the industries applying for protection." I think this will meet the wishes of all of us. So I put the Resolution as amended and read out just now.

Mr. K. L. Narasimha Rao : On a point of order. Can such changes be made like that ?

President : I think I can do it.

The Resolution, as amended above, having been put, was declared carried unanimously.

The Federation then adjourned for lunch till 2-45 p.m.

SECOND DAY'S PROCEEDINGS

AFTERNOON SESSION

The Federation re-assembled after lunch at 2-45 p.m. Dewan Bahadur C. S. Ratnasabapathi Mudaliar, President, was in the Chair.

President: I shall now take up Resolution No. 10 on the Plight of Indians Abroad. I request Hon. Rai Bahadur Lala Ramsaran Das to move the Resolution.

Hon. Rai Bahadur Lala Ramsaran Das, C.I.E. (U. P. Chamber of Commerce, Cawnpore) : Sir, I move the following resolution :

The Federation views with deep anxiety and alarm the rapid deterioration in the status and rights enjoyed by Indians in various parts of the British Empire such as South Africa, East Africa, Ceylon, Burma and the other colonies. The Federation recommends to the Government of India to take all necessary steps to safeguard the position and interest of Indian nationals abroad and to utilise India's bargaining position for securing this end, while negotiating trade treaties with other countries.

They further hold that in negotiating the renewal of the present Indo-Burma Trade Regulations Order, the Government of India should make it a necessary condition that the Government of Burma ensure security of life and property of Indians in Burma and that the Government of Burma would not enact any laws for compulsory acquisition of lands or other properties of Indians against their will, or take any action that would tend to reduce their annual or capital values in any manner.

Sir, the problem of Indians overseas is one of the saddest that is facing the political India of today. Before I proceed to deal with the subject-matter of the Resolution I would try to give you an analysis of Indian population abroad. The statement which I am going to read out has been prepared by the worthy Director Dr. Natarajan of Lala Diwan Chand's Political Bureau. We have altogether a population of 25,75,238 Indians living abroad. The biggest Indian population we have is in British Malaya with 7,54,849 Indians. The second is Ceylon where we have 6,82,507 Indians. Then comes Mauritius where we have 2,69,701 Indians. After that comes Natal with 1,83,646 Indians. Trinidad 1,54,083 Indians, British Guiana, 1,42,978 Indians. In Burma we have over a million Indians. I will not take up the time of the House in giving the

Indian population in each and every country abroad, because I shall place this relative statement on the table of the Federation so that every member may be able to read it if he so desires.

I shall now deal with the plight of Indians in the principal British countries,—British Dominions and British Colonies. As far as the United Kingdom is concerned, there are no disabilities on Indians, generally speaking, but we have got great grievances so far as the other parts of the British Empire are concerned. For instance, Indians are not allowed to settle in Canada, in New Zealand and Australia. As far as Kenya, Natal and the Cape Provinces are concerned, the plight of Indians is very well known. We all know that the Asiatic (Transvaal) Land and Trading Bill has been the greatest insult which has been offered to Indians. The Asiatic (Transvaal) Land and Trading Bill passed by the Parliament of the Union of South Africa in June 1939, is almost the climax of a series of racial and discriminatory legislations enacted against Indians. Under the cover of maintaining the *status quo*, the Act cuts clean through the rights of Indians as guaranteed by the Cape Town Agreement and introduces the vicious principle of segregation.

I might mention in this connection what the British statesmen have said regarding the conquest of the Cape, Transvaal, Kenya and other African territories. The agitation ran so high that the Indian residents there wanted to start civil disobedience, but on the advice of Mahatma Gandhi they have not yet started that campaign. I will give you extracts from the statements of British statesmen. Sir John Kirk's evidence before the Sanderson Committee in 1911 is to the effect:

"But for the Indians we (the British) would not be there now. It was with Indian aid and influence that the British flag was hoisted."

Mr. Winston Churchill stated about Indians in East Africa:

"It was the Sikh soldier who bore an honourable part in the conquest and pacification of these East African countries. It is the Indian trader who, penetrating and maintaining himself in all sorts of places to which no white man could go to earn a living, has more than anyone else developed the early beginning of trade."

And yet, neither to ownership nor occupation of agricultural land in the Highlands of Kenya, could the Indians aspire to, although those Highlands can be taken by any foreigner, not even excluding ex-enemies like Germans before the present war.

In Fiji, Malaya and West Indies as well, the political and civil status of Indians are very low.

In Jamaica, in British Guiana and in Trinidad the plight of Indians has been very bad and its governments refused to recognise their religious and social status even. The Sanatana Pratinidhi Sabha, Punjab, of which I have the privilege to be the Chairman, received a representation from the orthodox Hindu residents in Trinidad and in British Guiana to the effect that until the marriage of Indians was registered their marriages were considered illegitimate and their sons were not allowed to succeed to property. Besides this, they had other political grievances, with the result that the Sabha decided to send a representative to Trinidad and we sent Dr. Parasuram Sharma to that country. He lived there for several months and went into the question and made proper representation to the colonial Government there. For West Indies, at the instance and strong representation of the Government of India, I understand a Royal Commission was sent to the West Indies to enquire into the grievances of the Indians along with other matters. As far as I know, the report of that Commission has not yet been published, but I hope the publication will be made soon and I also hope that for the disabilities and the troubles of the people a solution will be found. It was through the efforts of Indians in British Guiana that its swamps were transformed into a fertile land, and then the Colonial Office made solemn promises to protect the interests of Indians in that country. That promise is utterly disregarded and no step has been taken by Colonial Government to honour that pledge. In British Guiana 41 per cent of the population is Indian. It might interest the Members present to hear that even the President of the Hindu Sabha there was a Christian. That is rather amusing. A deputation of two Indian gentlemen with their leader Pandit Tevari came from Trinidad to acquaint us with their plight there and thereupon the Punjab Sanatana Dharma Pratinidhi Sabha appointed Pandit Parasuram Sharma to go over there and assist the Indians there in their difficulties. I come now to the question of Burma. Burma used to be a part of British India, but since its separation, very recently, we find that great injustice is being done to Indians. Our esteemed friend Rajah Sir Annamalai Chettiar will tell you the plight of Indians in Burma because he is one of those who has lost heavily on account of the new change of mentality that has happened in Burma. What is being done in Burma and Ceylon ? I do not want to go into details now, because the occurrences are recent and everybody knows them, but I shall give you a few points in order to revive your memory.

(1) A barrier is created against Indians aspiring to enter the Ceylon Civil Service, through India has so far kept her doors wide open to Ceylonese.

(2) The Donoughmore Reformed Constitution of 1929 granted universal adult franchise but not to Indians whose rights are hedged in with restrictions and practically 75% or even more Indians permanently settled in Ceylon, are left without a franchise.

(3) Medical degrees and diplomas granted by the Indian Universities are not recognised in Ceylon with the avowed object of shutting out Indians aspiring either to enter the Government Medical Service or set up private practice.

(4) In 1932, owing to unabated trade depression in Ceylon, unemployment relief measures were started, but an indirect discrimination was restored to, inasmuch as unemployed Indians were not given any relief, despite the fact that the Mayor's Unemployment Relief Fund was largely built up with the subscription of Indians.

(5) In 1932, the Ceylon Income-tax Ordinance came into force. Certain sections of this Ordinance operate harshly on the bulk of Indian traders and capitalists. Definition of the terms 'Bankers' and 'Residents' openly discriminate against Indians. Disallowance of interest paid on capital borrowed outside Ceylon and the high rate of taxation on incomes of non-residents are some of the glaring instances of veiled discrimination against Indians.

(6) In 1934, the Ceylon State Council put on her statute book a bill known as 'An Ordinance to provide for the systematic development and alienation of crown land' in which the term "Ceylonese" is so defined as to exclude the vast number of domiciled Indians from its purview, with the ultimate object of preventing Indians from occupying crown land, and settling down.

(7) In 1934, Ceylon imposed a prohibitive and discriminatory duty on ghee, eggs, vegetables, fruits, tamarind, etc., imported from India, under the plea of giving an incentive to local production.

(8) In 1935, further discriminatory duty was imposed on the imports of Indian paddy despite the vigorous protest of Members of the State Council representing Jaffna province.

(9) The Village Communities Ordinance which engaged the attention of the Indian Government and people for the best part of the year 1936 and 1937 constitutes another grievous harm done to the Indian community. The Ordinance which was passed in 1934 enlarged the scope and discretion of the communities in such a manner as to convert them practically into self-governing units. Amendments were moved to this act during the last few years in a way as to exclude Indian labourers completely from the village franchise. This, as could be expected, led to a great agitation and strong representations from the Government of India. The Government of Ceylon thereupon introduced a further amendment taking away from the Ceylonese estate labourers as well their franchise in this connection. It is the contention of the Ceylon Government that discrimination as such has been removed treating all estate labourers equally. Indians naturally could never agree to such a course. It has always been the Indian viewpoint that both the Indian labourers and Sinhalese villagers are alike entitled to work for the betterment of the rural life of Ceylon. It must, again, be noted that the removal of the "discrimination" against Indian estate labourers is a very unreal one. While there are about half a million Indian estate labourers, the total number of Sinhalese labourers employed by estate is about 91,000 of which 28,000 were resident, 43,000 non-resident, 9,000 regular contractors and 11,000 casual contractors. It would be clear that the vast proportion of the Sinhalese workers on Ceylon estates are non-resident and under the provisions of the amendments to the Ordinance would be entitled to have the vote for the village communities without any hindrance.

(10) The Ceylon Government almost outbid the Union of South Africa in their anti-Indian policy in 1938 and 1939. Their unreasonable and unjust attempts in repatriating Indians in their Departments has become the most controversial question between the two countries at the present moment. Just now, the Ceylon Government are concentrating on sending back all Indian daily paid employees in their services. It is their aim to repatriate from Ceylon several thousands of daily paid workers even at an enormous expense. They propose immediately to expel all Indian daily paid labourers engaged after April 1934, with some cash inducement and repatriate those who have put in more than five years' service under the so-called scheme of voluntary repatriation. The Ceylon Government have already begun eliminating from their services and are said to have repatriated to India by 1939 itself nearly 1,000

Indian daily paid employees. They have also embarked on a systematic policy of inducing Indians by threats of subsequent dismissal without any provision for compensation many hundreds of daily paid Indian employees to voluntary resign and leave Ceylon as early as possible. The modifications that have been introduced in the scheme such as, exemption in the case of such of the Indian employees who have married Sinhalese wives are all very minor ones and do not affect the proposals in any material form.

Negotiations between the India and Ceylon Governments to hold a conference to discuss immigration, trade and other subjects have failed, according to a Government communique issued in December 1939 which says : in September last, the Ceylon Government suggested to the Government of India that a conference should be held to discuss the former's proposals to restrict immigration into Ceylon and that the opportunity should be taken to enter into trade negotiations and to discuss other outstanding matters of common interest.

The Government of India saw no objection and expressed their readiness to receive a delegation from Ceylon in India, provided that the Ceylon Government's scheme for the retrenchment of non-Ceylonese daily employees, which had proved the stumbling block to an earlier inception of trade negotiations, could be discussed at the conference and its operation held in abeyance.

"The Ceylon Government have found themselves unable either to hold the scheme in abeyance or to modify it except to the extent, already announced in the Assembly on the 12th September, that Indians with more than 10 years' service would be treated, in respect of retrenchment, on the same footing as Ceylonese. The Government of India have come to the conclusion that this does not offer a sufficient basis for entering the conference proposed by the Government of Ceylon and have informed that Government accordingly."

Sir, notwithstanding the interest and steps taken by the Government of India no material improvement has resulted. Now, Sir, as regards Indo-China I might also say that my friend sitting on my right, the Honourable Raja Sir Annamalai Chettiar, who is a multicrore millionaire, will tell you his experiences as far as Indo-China is concerned. The disabilities which that Government has put on Indians is well known and from what I gather no material improvements have been effected in the plight of Indian residents in Indo-China who are trading there, though Indian Bankers there who were ejected have been allowed to return.

Before I come to Burma I will deal with what is happening in our neighbouring country, viz., Afghanistan. We expected that with the change of the ruler there will be some change in the policy but unfortunately, nothing has been done. I come from the Punjab and because a number of Punjabi merchants are trading in Afghanistan, we get private news of actual events there. Year before last I was in Kandahar and I invited a leading Indian merchant to see me. The verbal reply I got from him was that in case he came and saw me his position would become very difficult and said that it will be very good of me if I did not insist on his seeing me. That example will show the plight of Indian traders there. Formerly most of the trade was in the hands of Indians, what is happening now, I cannot vouchsafe for the information being accurate but to the best of my belief whatever I was told seemed right. They said that certain magnates, who were the relations of high officials and of the H. H. Amir Saheb formed a company and the biggest venture they then started was the trade in dry nuts. If I rightly understand the position that company got the monopoly in dry nuts and thus the livelihood of most of our Indian brethren who were trading in dry nuts was taken away by a stroke of the pen. Now, I will tell you briefly what I understand is happening in Afghanistan, generally speaking.

(1) Indian cars and Indian drivers are only allowed the use of two roads, Peshawar to Kabul and Chaman to Kandhar. Formerly no such restrictions existed.

(2) In Kabul all drivers are forced to take up residence at the Sarai-Motor-Khana. All other residential places have been declared out of bound for them. A driver is not allowed to stay for more than five days and is constantly shadowed by the police.

(3) Indian traders and visitors to Afghanistan have to report their whereabouts constantly to the police and are allowed to stay for 15 days only. Should any one desire to prolong his stay he has to obtain special permission from the Foreign Minister. Thus alone can a man prolong his stay upto one year.

(4) No Indian can acquire any immovable property in Afghanistan. For the first time in history this restriction has been imposed.

(5) Those intending to make a long stay for business purposes have to take up a special licence.

(6) An Indian trader intending to leave Afghanistan has to find an Afghan surety to vouch for the fact that he does not owe any debt in the country. Unless this is done he is not allowed to leave. Civil suits brought against Indian merchants based on oral evidence result in decrees being passed against them. Indian traders who owe money are put in prison for an indefinite period and are not allowed to leave it until they have paid off their debts. In this connection it is interesting to recall that various Afghan Nationals owe millions of rupees to Indian subjects. The Indians are utterly, helpless to realise their debts and the Government of India have so far failed to extend a helping hand to them. My friends from Bengal will endorse what I say about the method of recovery of debt by the Pathans, which is too well known. They threaten their debtors and then realise their money on dagger-point and I understand that in some cases the debtors are put in danger of their lives.

Before an Indian trader can start business in Afghanistan, he must give the security which is demanded from him. Unless it is forthcoming, he is not allowed to trade in the country. Very irksome restrictions have been imposed on those who desire to obtain visas for Afghanistan. It takes more than a fortnight to take such a simple thing as a Visa. In this connection I might also say that I was a Royal Guest at Kandahar. When I left Chaman it took me about 2 hours to get a Visa Qilajadid when I entered into the border of Afghanistan.

The roads there are said to be pucca but to all intents and purposes they are kucha pucca. At every police station which is on the road when a car passes, a telephonic message is sent that car number so and so has passed safely. Sir, it is very interesting that these discriminatory disabilities there are now purely for Indian nationals. The other foreigners do not suffer from these disabilities. It is well known that they are not subjected to any restrictions of the kind enumerated above. They can trade freely and acquire immovable property wherever they like. This is, of course, a thing to which so far the Government of India have not been able to render us any material help. If such be the plight of Indians in the neighbouring countries, how can we complain about the plight of Indians abroad ?

Then, I come to Burma. While discriminations against Indians are unjustifiable in the case of British Dominions and other Colonies, it is simply monstrous that even Burma and Ceylon should practise them. Burma was separated from India only in 1937. The intense of anti-Indian feeling that is prevailing in Burma and which for all practical purposes is engineered mainly by a certain section of the Burmese politicians, has no justification whatsoever. It was the life-blood of Indians, their hard-earned wealth and enterprising spirit, that has made Burma what she is today and yet they are now looked upon as interlopers and exploiters of the worst kind. The economic policy of the Burmese ministry favours almost the expropriation of the Chetty landlords who have made Burmese agriculture thrive and become prosperous. It was mooted by the Burmese Minister of Agriculture some months back that his Government should purchase land from the owners 'at reasonable price' and sell the same to cultivators in parcels of 10 to 25 acres. While the scheme may be good so far as the general distribution of property is concerned, it is a question how far his ideas of reasonable price are really reasonable. On the whole, great caution is necessary. The recent news that legislation is being considered should be carefully watched.

The serious riot that broke out in Burma during July 1938 and the great loss of life and property resulting therefrom has aroused very great resentment in India. According to Braund Committee, which investigated the whole question of the riots and its implications, nearly 200 Indians were killed and about 750 Indians injured. As regards the extent of damage done, the Committee has given two sets of figures, one being the official figure which estimates the loss of Indians at 19½ lacs of rupees and the other the Indian estimate which puts the loss at Rs. 56 lacs. From what I have heard from my friends trading in Burma, I think the figure nearing 50 lacs is reasonable.

I will not take much time of the House and I hope my Honourable friend who is to follow me will give you his personal experience of his trading overseas. He is fortunately one of those bankers who have banking connections with many countries. Therefore, I will resume my seat and ask my Honourable friend to give you some of his personal experiences on account of the special position that he enjoys in countries abroad. Before I sit down I must thank Dr. Natarajan for the valuable information that was given to me.

The total number of Indians abroad, according to the latest available returns, is as follows:—

	Name of country	Indian population	Date of estimates
	BRITISH EMPIRE		
1.	Ceylon	682,570*	1938
2.	Hong Kong	4,745	1931
3.	British Malaya**	754,849	1937
4.	Mauritius	269,701	1937
5.	Seychelles	503	1931
6.	Gibraltar	80a	1932
7.	Nigeria	32	1931
8.	Kenya	42,368	1937
9.	Uganda	18,800	1937
10.	Nyasaland	1,631A	1937
11.	Zanzibar	14,242	1931
12.	Tanganyika Territory	23,422	1931
13.	Jamaica	18,669	1936
14.	Trinidad	154,083	1937
15.	British Guiana	142,978	1937
16.	Fiji Islands	89,333	1937
17.	Northern Rhodesia	421A	1937
18.	Southern Rhodesia	2,184A	1936
19.	Canada	1,599	1931
20.	Australia	2,404	1933
21.	New Zealand	1,166	1932
	SOUTH AFRICA		
22.	Natal	183,646	1936
23.	Transvaal	25,561	1936
24.	Cape Province	10,692	1936
25.	Orange Free State	29	1936
26.	South African Protectorates	409A	1936
27.	South West Africa	14A	1936
28.	Maldives	550a	1933
29.	British North Borneo	1,298	1931
30.	Aden	8,168	1937
31.	British Somaliland	520	1931
32.	United Kingdom	7,128	1932
33.	Malta	41	1933
34.	Grenada	5,000	1932
35.	St. Lucia	2,189	1921
36.	British Honduras	497	1931
	Total for British Empire	2,471,522	
	FOREIGN COUNTRIES		
37.	Dutch East Indies	27,638	1930
38.	Siam	5,000 a	1931
39.	French Indo-China	6,000 a	1931

Name of country	Indian population	Date of estimates
FOREIGN COUNTRIES—*(Contd.)*		
40. Japan	300 a	1931
41. Bahrein	500	1933
42. Iraq	2,596	1932
43. Muscat	441	1933
44. Portuguese East Africa	5,000	1931
45. Madagascar	7,945	1931
46. Reunion	1,533	1933
47. United States of America	5,850	1930
48. Dutch Guiana	37,933	1932
49. Brazil	2,000	1931
50. European Countries	1,000 a	
Total for Foreign Countries	103,736	
Total for all countries	2,575,258	

*Indian estate labourers only. **Includes Straits Settlements, Federated and Unfederated Malay States. A = Asiatics. a = appproximately.

Raja Sir Annamalai Chettiar, M.L.A. (Central) (Southern India Chamber of Commerce, Madras) : Mr. President, in seconding the Resolution I shall be very brief. The position of Indians overseas is one of extreme helplessness. An Indian with all the resources of his country looks small in the eyes of other nations and we have to hang down our heads in shame at the insults and indignities heaped on the Indians. This humiliating treatment of Indians even in the Empire countries inspite of all their services is one of the saddest chapters in the history of India. I do not propose to speak of the disabilities of Indians in the various countries. My friend, the Honourable Lala Ram Saran Das, the Mover of the Resolution, has ably dealt with the subject and in great details. I shall confine my remarks to the two countries where the position of Indians has been growing considerably worse during the last two or three years. These are Burma and Ceylon which owe a good deal of their present prosperity to Indian enterprise, capital and labour and which yet have developed an anti-Indian spirit and policy.

Gentlemen, most of you will remember the anti-Indian riots of Burma in 1938. The Inquiry Committee formed soon after the occurrence recommended the grant of compensation to the victims of the riots. This is a just and reasonable recommendation made by a responsible Committee after taking all relevant factors into consideration. So far, no effect has been given to it. Burma has embarked upon a series of legislation which is having disastrous results on the properties of the Indians in that country. If I begin to give you all about the details, it will take more than a day. As I have already told you, I want to be brief in my remarks.

In Ceylon, the position is one of progressive deterioration. The Government of the country seem to be determined on having no Indian on their soil. The anti-Indian feeling in that country is so strong that a Minister blurted out his feelings, perhaps in spite of himself. I am referring to the Associated Press message published some time ago. It is a short message and with your permission I shall read it to the House. Only last month, on the 24th, the Minister said: 'I will say frankly that nothing will please me more than to see the last Indian leave these shores. I will then die a happy man.' This is what the Minister has said. It may be said that this, after all, is the utterance of an individual to which no great importance need be attached. We must, however, remember that this individual happens to be a responsible Minister and there is nothing to prevent him from bringing in legislation to serve his ends. It must also be borne in mind that these words were spoken by him during the debate in the State Council in his capacity as a Minister and as one responsible for the Government of the country.

Well, Gentlemen, here and in similar bodies we express our feelings of indignity at the insults, humiliations and the cruel treatment meted out to our countrymen in countries outside India. The Government of India express their sympathy with us. I do not for a moment doubt the sincerity of the Government of India. I know and I speak with some personal knowledge as to what they have been doing, though their efforts have not been effective. It is well to remember here that the Indian population of these two countries is more than a million. My friend, the Honourable Lala Ram Saran Das, gave the total Indian population overseas as 25 lakhs. It must be more. As far as I know, the Indian population in Burma is over a million. The Indian population of these two countries, at all events, is more than a half of the total Indian population overseas. Indians have invested crores and crores of rupees in Burma and Ceylon and have immensely contributed to their development in agriculture, trade and industry. All that they now want is to be allowed to live peacefully there without fear of molestation of life and property and with full rights of citizenship. Gentlemen, representations to the Governments of these countries have been in vain and the game of heaping humiliations on the Indians is merrily going on. If the British Government really feel for the Indians, I believe it will not be impossible for them to find out ways and means of ensuring equality of treatment to the Indians abroad, at least in the Empire countries, and secure adequate protection of Indian interests. I attach as much importance to this as to the other methods suggested in the Resolution. With these words I second the Resolution.

Mr. Begraj Gupta (Marwari Chamber of Commerce, Bombay), spoke in Hindi and the following is an English translation of his speech :—

Sir,

*I gladly and strongly support the resolution so eloquently moved by my friend, Hon'ble Rai Bahadur Lala Ramsaran Das and ably seconded by Raja Sir Annamalai Chettiar.

Due to the persistence of unfortunate circumstances over which we Indians have no control, the condition of our brethren abroad continues to be exceedingly unsatisfactory. Indeed, it has suffered further serious deterioration during the last year causing deep anxiety and alarm in India, to which this Resolution seeks to give expression. That Indians should be subjected to discriminatory, hostile and humiliating treatment in all parts of the British Empire is a most significant commentory on India's status within the Empire. What is even more painful and mortifying is the fact that the rights of Indians even in such neighbouring countries as Burma and Ceylon are being increasingly assailed.

Gentlemen, it should be well-known to you that the present policy of the Burmese Government avowedly aims at the expropriation of Indian landlords who have greatly contributed to the development of Burmese agriculture. We all remember the heavy toll of life taken by the Anti-Indian riots. According to the Braund Committee report, 200 Indians were killed and about 700 injured and the economic loss is estimated at over Rs. 35 lakhs. Ever since July 1938, our brethren in Burma live in fear of recrudescence of the trouble. It is the unanimous demand of the Indian public that the Government of India should obtain from the Burmese Government a satisfactory guarantee for the security of Indian life and property in Burma. Further, adequate compensation for the serious losses of Indian life and property should be secured. A satisfactory solution of this question should form an essential part of the negotiations for the renewal of the Indo-Burmese Trade Regulation Order. We desire to maintain the most friendly and cordial relations with our neighbours, but India can no longer tolerate flagrant encroachments on the legitimate rights of her nationals abroad. But Burma is more than a neighbour, she was, until the other day, a part of India and the cultural relationship has subsisted for centuries. There is a goodwill deputation of Burmese leaders touring this country at the present movement and we all cordially welcome the guests. Let us hope that wise counsels will prevail and a restoration of the old relations will be achieved.

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* English version of the speech delivered in Hindi.

Sir, the case of Ceylon, however, is unfortunately different. Recent years have witnessed a spate of odious, discriminatory, Anti-Indian enactments. The discrimination affects practically the entire field of Indo-Ceylonese relationship. So far as trade is concerned, discriminatory duties have been imposed on the import into Ceylon of Indian paddy, ghee, eggs, vegetables, fruits, etc. The constitutional and civic rights of the Indians who have settled down in Ceylon have also been systematically and grievously attacked. Over 75% of the Indian settlers are virtually excluded from the Universal adult franchise granted under the Donoughmore Constitution, and the Village Communities Ordinance has perpetuated, *de facto*, the un-enfranchisement of the Indians working on tea and rubber estates who number over six lakhs out of a total Indian population of about eight lakhs. There are other equally indefensible instances of discrimination. An ordinance occupies the Statute Book of Ceylon virtually debarring the domiciled Indian community from occupying and settling down on 'crown lands.' The most recent and obnoxious measure which has roused widespread indignation and alarm amongst our brethren in Ceylon is the action of Ceylonese Government in ousting Indians from the various State services. Although the present action affects the daily paid labourers engaged since April 1934, it is really the thin end of the wedge. It is estimated that they have already eliminated from Government service and repatriated to India about one thousand such Indian employees.

In September last year, the Ceylon Government sought to open negotiations with the Government of India for a trade treaty as also for securing restriction of immigration into Ceylon. While the Indian Government expressed readiness to receive a delegation from Ceylon, they rightly insisted that no negotiations could be started unless the Ceylon Government held in abeyance the operation of their scheme for the unjust retrenchment of Indian daily employees. A most significant indication of the Ceylonese attitude was provided by their refusal to suspend such retrenchment. Consequently the negotiations could not materialize. We fully appreciate the correct policy adopted by the Government of India, and we trust that they will leave the Ceylonese Government in no doubt of the firmness of Indian attitude and action if the Ceylon Government persists in its present unreasonable and obstinate policy.

I need hardly recall the visit of Pandit Jawaharlal Nehru to Ceylon. We know that his efforts to compose differences met with an obviously cold response. Pandit Nehru is one of the most broad-minded Indians who is a believer in international brotherhood and whose goodwill towards Ceylon cannot be questioned. And yet, he came away disappointed. Whenever charges have been levelled by responsible Indian settlers against the Ceylon Government of discrimination against Indians generally and Indian settlers in particular, Ceylonese politicians have protested with an air of injured innocence. In the face of incontrovertible evidence which can be adduced in support of the charge, such empty denials are futile. A certain Ceylonese minister, some time back, characterized the Indian settlers as "one million parasites" and another minister Mr. Bandara Naike excelled himself by saying "nothing will please me more than to see the last Indian leave the shores of Ceylon. I shall then die a happy man." While I cannot congratulate this gentleman upon his good taste or diplomatic restraint we should be thankful for such a frank admission of Anti-Indian bias. It is the duty of the Government of India to take note of these tendencies and to take timely and firm action with a view to the protection of Indian interests in Ceylon.

I shall not refer to the conditions in South Africa or Kenya, because the treatment meted out to the Indian settlers there has been the darkest chapter in the history of "dark" continent. Indeed, we are all familiar with most of the developments there. I must, however, make a brief mention of the manner in which Indian nationals are being persecuted and humiliated in Belgian Congo. It seems clear that the white men there are determined to houd out the peaceful Indian community. A campaign of prosecution has been started against Indians on a doubtful charge of gold smuggling. Forty respectable Indians were arrested, 17 of whom have been convicted with severe imprisonments and enormous fines extending to 50 thousand francs. It has been proved in more than one case that the policemen who went to arrest and search the residences of the alleged suspects, themselves carried gold and deposited it in the houses to be produced later in court as evidence of smuggling. The prosecutions are a travesty of legal process and are a part of a ruthless Anti-Indian drive. As a result of representations by the Government of India, the British Consul in Belgian Congo was asked to report on the situation, but nothing is yet known of the outcome.

May I remind the Government of India that nothing has more embittered Indo-British relations than the British Government's indifference to the ill-treatment of Indians abroad. It is the duty of the Government not only to be alert and watchful but to forge effective measures for the protection of Indian nationals settled abroad from unjust attacks on their legitimate rights.

Sirdar P. S. Sodhbans (Indian Chamber of Commerce, Lahore) : Sir, the tale of woe of Indians has already been described by my friends, the Hon. Lala Ramsaran Das and Raja Sahib. I also had the privilege of travelling in different countries. I agree with the Raja Sahib we cannot raise our heads and it is to our shame that we are in this position. It is mainly due to this fact that we are not masters in our own country. Had we been masters in our own country, we would not have been treated in the manner we are now done. We have been pioneers of trade in the world and our ships used to ply in the seven seas. Yesterday we were obliged to move a Resolution appealing to Government to help us in constructing a ship-building yard in our own country. We had colonies in the different parts of the world, in Java, Bali, Sumatra, in Cambodia, South Africa, Egypt and in other parts of the world. The gypsies of Europe all went over from India. They were Hindus originally, they used to carry on caravan trades in those countries. If you read book "The Periplus of the Eaythreau Sea" translated from the original Greek by Dr. Wilfred Schoff, you will find as to how the Indians used to carry on trade in foreign countries in the first century of the Christian era. That book gives a detailed description of the position of Indians in those days. Now, what is our position ? We are treated as Pariahs in the British Empire. When we are Pariahs in the British Empire, we can imagine what will be our positon in other countries which are independent. Take Afghanistan for instance. When the Punjab was ruled by Maharaja Ranjit Singh in the last century, once the Maharaja invaded Afghanistan, the Amir wrote a friendly letter of submission to the Maharaja.

Lala Shri Ram: I rise to a point of order, Sir. I do not think the Indians in Afghanistan are treated any the worse than other foreigners excepting the Afghans ; whether they are British or Frenchmen or Germans or Russians, they are treated alike. I do not suppose any Indian has complained about any bad treatment in Afghanistan.

Mr. Sodhbans: But my information is different and I can challenge the statement of Lala Shri Ram. What he said is absolutely wrong. The Indians are treated in Afghanistan as worse than criminals. Indian traders are required to report to Police and they cannot leave the country unless their debts are paid up. Indian cars and Indian drivers are not permitted to use some of the roads. I challenge the position taken up by Lala Shri Ram.

President: Anyhow Mr. Sodhbans has made the reference he wanted to make and he can proceed with his speech.

Mr. Sodhbans: I only want to say that the tale of woe can be described for whole day and even then it will not be complete. Great Britain waged the Boer war on the ostensible pretext among other things for the emancipation of Indians in South Africa and to protect them against the bad treatment meted out by the Dutch there. But immediately after peace was declared, the very Dutch people under the aegis of Britain began to treat Indians very badly. Owing to want of time, I have explained this in a few words. What has been the treatment of Indians in Abyssinia after it was conquered by Italy ? No Indian can travel in the same tram or motor cars as the Europeans. In conclusion, I have to submit that the treatment of Indians abroad will continue like this unless we become masters in our own country. With these words, I support the Resolution.

Mr. R. R. Gupta (Merchants' Chamber of U. P., Cawnpore) :

You will kindly excuse me, gentlemen, if I do not use the conventional phrase that sufficient has been said about this Resolution, because my feeling is that the more is said about this subject, the less will it remain. Sir, the question before the House is a very important one because it not only affects the economic and commercial position of this country, but it affects also the very honour and self-respect which we Indians value the most. The plight of Indians abroad is so bad that the less said about it the better: the position as described by the other speakers amply shows how we are treated in outside countries as well as in our own sister states, the dominions. This problem is not a minor one. It affects 26 lakhs of our people abroad. The condition of Indians in the British dominions is worse than in any other country. In certain countries like South Africa many such sorts of disabilities are attached to us; while sufficient cry was raised by the British Government and the British papers against Germany when they applied these disabilities to the Jews in that country. In certain South Africa Indians are not allowed to travel in the trams, they are not allowed into parks, they are not allowed to go into public places or to emigrate from one state to another or to occupy lands in one province to another province. In countries like Afghanistan and Ceylon the disabilities attaching to Indians are such as are not applied to nationals of any other country, while in our own country we allow the nationals even of those countries full freedom. In America there were only a few Indians residing for the last twenty or twenty-five years. By their efforts and labour they acquired certain lands and it is now well-known that by a decree of the supreme court of that country all that land belonging to Indians has been taken away from them and now the position is that no Indian is allowed to occupy any land there. The same thing was applied against the Japanese and Chinese there, and you have seen the result. Japan protested and protested to the extent that diplomatic relations between those two countries became strained and those relations have not yet improved. When we are degraded in our own sister states like this, how can we protest against other independent states treating us like this? Even in those parts of British territory which owe their existence to the efforts, and labour and sacrifice of Indians, we are treated like animals. Of course they say it is due to some things which we do not believe. It has been said that the Government of India is taking every measure to protect the rights and honour of our nationals in those places. Am I to understand that even after these efforts the persecution of our nationals is going on like this? I do not believe in that because I have seen that by our efforts we have succeeded in improving the conditions and the position of many sovereign states, e.g., Turkey by the Khilafat movement, and Egypt and Palestine. It was the pressure of this country that improved the position of those countries in their dispute with England.

Hon. Lala Ram Saran Das: On a point of order: the Government of India, Mr. Gupta says, has taken no effective action in this matter. I have been on the Emigration Committee for a number of years and I can tell you without disclosing any secrets, that the Hon. Sir Jagdish Prasad and the Honourable Sir Girja Shankar Bajpai have done their very best, but this government, being a subordinate government, has not been able to do anything.

Mr. R. R. Gupta: I am thankful for the information given. What I meant was that because our government is subordinate to the British Government therefore if it can impress upon the British Government that this qustion is agitating our minds so much that unless the disabilities are removed and sufficient action is taken to protect their rights and honour, there is a possibility that Indian feeling will not tolerate the situation any further. I am sure it is not very difficult of solution by the British Government if our government is sufficiently persistent. Much can and should be said on the resolution but I will not take up more time, except to request two things: one, the note which has been submitted and published by the Information Bureau contains many useful bits of informatoin which every Indian should know and it should be given sufficient publicity and every Indian should know all these things. With these words, I support the Resolution.

Mr. A. L. Ojha (Indian Colliery Owners' Association, Jharia): I move the following resolution:

INDUSTRIAL RESEARCH AND CLOSER CONTACT BETWEEN INDUSTRY AND RESEARCH

The Federation welcomes the action of the Government in accepting their recommendation and in appointing the Board of Scientific and Industrial Research, for bringing about greater co-ordination between industrial progress and scientific research. The Federation urges Government to widen the scope of the work of the Board so that the Board should serve as an organisation for surveying the progress so far made by the established industries, exploring the possibilities of developing secondary industries and suggesting the ways by which more effective and larger use could be made of the raw materials available in India, with a view to develop suitable manufacturing industries.

This resolution comes last on the list but is not the least in importance. At the fag end of the session when we are in a hurry to disperse, I do not want to make a long speech; and instead of telling you many things in general, I would confine myself to certain points for consideration by the Board that has been appointed by the Government of India—the Scientific and Industrial Research Board. I do not think we should pass any opinion before the Board has held its first meeting which I understand will be held in Delhi tomorrow, and let us see what they decide there.

The importance of industrial research in the progress of industrialization of the country cannot be too much emphasised. In fact without industrial research it is doubtful if a high stage of industrialization, can ever be reached. Some of the most industrialised countries in the world, for example, United Kingdom, Japan, America and Germany, are those in which industrial research has been greatly encouraged. While protection is necessary for fostering the growth of industries, the industrial research is necessary even for the very starting of such enterprises. Particularly in a country like India which has vast supplies of raw materials, industrial research is vitally necessary for the utilization of her agricultural and mineral wealth.

To begin with, there is a vast scope of research in the key industries themselves. The coal industry, for example, is one of the most important basic industries of the country. And yet little or no research has been till now done to utilise the coal resources of the country to the best advantage. India has huge reserves of low grade coals for which there is a very limited market. This low grade coal however can be utilized for manufacturing blue water gas which can be economically done even in small towns. The Fuel Research Board in England has conducted experiments on this subject and it has been found that the gas which is produced in large quantities has got a calorific value higher than that of ordinary blue gas obtained from coke. The blue water gas however cannot be utilised as town's gas on account of its high percentage of poisonous carbon monoxide. The non-poisonous fuel gas, Methane, can however be obtained from it by the action of Hydrogen which is also present in the gas in a requisite proportion. To bring about this reaction an efficient poison resistant catalyst is quite necessary. Any industrial research would easily succeed in finding the requisite catalyst.

Moreover coal is at present wastefully burned in open stacks for the production of coke, and valuable bye-products are wasted in large quantities. As the demand for coke is increasing, more and more coal will be wasted. Valuable bye-products can, however, be obtained from this coal by the process of low temperature carbonisation. The experiments conducted so far have shown that some of the Ranigunj varieties give a high yield of tar which on distillation give fair quantities of oils. The resulting coke also admits of briquetting and the gas is of high calorific value. Another line on which coal can be utilised is with regard to the coking constituents of coal and the industrial possibilities of converting non-coking coals into coking coals suitable for metallurgical purposes. It may be also mentioned that liquid Hydrocarbons, that is petrol-like substances, can also be obtained from coke by the Fischer Tropsch Process. Similarly, the domestic coke used at present can also be much improved. The present methods are crude and wasteful. By suitable blending, grinding, etc., and by installation of suitable chamber-ovens it is expected that much better quality of domestic coke can be produced. At the same time a number of valuable materials such as tar, ammonium sulphate, etc., can be obtained from the same for general use as mentioned above.

But the coal industry is only one of the key industries of the country. There is the chemical industry also which affords a large scope for industrial research. We are yearly importing Rs. 3 to 4 crores worth of dyes. As we have practically all the raw materials, it is a sheer waste to allow this amount to go out of the country. If only our industrial chemists work out a commercial proposition, we could produce the whole lot in India.

India, as we all know, is primarily an agricultural country and the necessity for suitable fertilizers need hardly be stressed. By proper research, various fertilizers can be made available from indigenous products and the cultivator can be benefited to a large extent. There are a number of other important chemicals necessary for the various industries of the country such as bleaching powder, magnesium chloride and sodium carbonate which can be also prepared in the country by proper research. Investigation may also be done in the manufacture of starch and other adhesives which will also benefit a number of other industries.

When I refer to other industries I am particularly reminded of the sugar industry. The problem of molasses has to be faced by practically every sugar factory and instances are not wanting when factory owners have paid money to persons for removing the molasses from the precincts of the factory. If proper research is, however, conducted molasses can yield a number of chemicals and useful articles. Given the industrial research, I have no doubt important bye-industries will develop for the utilization of the molasses produced in large quantities by the sugar mills of the country.

Let me recall to your mind, Gentlemen, here that apart from coal and chemicals, proper industrial research can help India to not only utilize her large resources in minerals but also her agricultural wealth. By proper research wireless condensers can be manufactured in India from Mica, of which India has practically got a world monopoly. In agriculture and forestry also there is a vast scope for industrial research. For example, there is an oil called *Gurjan oil* which is obtained from trees growing largely in Bengal, Burma, Assam and the Andamans and this can be utilised in the paint and varnish industry. There is also a large scope for preparation of casein and lactose from milk and dairy products.

This reminds me of the various articles of domestic use. By proper research a sound electro-plating industry can be established in the country. India is in a position to manufacture the various photographic chemicals which are used in science and medicine as well but which are now imported in huge quantities from abroad. Similarly radio components, refrigerative machinery, canning and preservation of foods, shellac articles, etc., could be manufactured in the country by proper research. I would specially refer to the production of neutral glass which would stop a drain of millions of rupees to foreign countries. Industrial research would help in establishing all these industries in the country which, again, would mean larger employment, higher remuneration to the producers of raw materials and a consequent increase in the purchasing power of the people.

You may be aware a number of laboratories and institutions conducting research started by the Government or by Universities or by private firms or Associations, are already working in the country. As there is however no definite policy of co-ordination of these diverse activities, research in the proper direction carried out at the most suitable place under expert hands is lacking. There is no dearth of capable scientists and experts in the country. What is required, however, is a bold comprehensive policy to be initiated by the Government in the matter.

It is a happy augury that the Government of India should have set about the establishment of the Board of Scientific and Industrial

Research. It is also very gratifying for us to note that the Government have made a happy choice of it in their selection of the personnel of the Board. Our esteemed friends and noted industrialists, Lala Shri Ram and Seth Kasturbhai Lalbhai are there. It is to be hoped that a beginning would be made by the Government with the advice and guidance of the industrialists and scientists of the country in establishing a useful and efficient research organization. I would, however, like to point out that the proposed grant of Rs. 5 lacs is totally inadequate. In the United Kingdom the Government gave £4 million for financing the Fuel Research Board. For only one aspect of the industrial research the Government of the United Kingdom spent more than 100 times the amount offered by the Government of India for the whole industrial research of the country. It may be mentioned in this connection by our critics that in other countries it was not only their governments that came to establish research organizations but that the industrialists also came forward with their help. I would like to give an answer to that. If such an organization is brought forward by the Indian Government and if it is found useful, I assure the Government and everyone, the industrialists of this country also would not lag behind.

The importance of industrial research however in the economy of the country cannot be over-estimated. By proper research, it is needless to add that in a short time we would be in a position to produce most of the articles at present imported from abroad. As I have already said, the Government should follow a bold policy of industrial research directed to practical objects and related to the industrial needs of the country if we are to achieve that object. It is essential that the Board proposed for the purpose should establish liaison between research and industry with a view to the economic utilisation of the results of scientific research and applied work and to correlate the research work being conducted at various places.

In conclusion I would like to express our sincere hope that Sir Ramaswami Mudaliar, the present Commerce Member of the Government of India, whose sympathy with the trade, commerce and industry of the country is well-known, would find it possible to do something abiding and great for the industrial regeneration of the country.

Hon'ble Sir Rahimtoola M. Chinoy (Indian Merchants' Chamber, Bombay) :

Mr. President and Gentlemen,

I have great pleasure in seconding the Resolution moved by my friend Mr. Ojha.

The object of the resolution has been met to some extent by the recent institution by the Government of India of the Board of Scientific and Industrial Research. I should like to take this opportunity of publicly congratulating Hon'ble Sir Ramaswamy Mudaliar, Commerce Member, for taking this very important step which will prove to be the turning point in the history of Indian Industry. The problems of industrial research are, however, so complicated and the actual success of the new Board with regard to the practical aid it is able to give for the development of industries in existence and for the inauguration of new industries, is so much dependent on the manner in which the Board is constituted and conducted that some aspects of the matter may be put forward to the Government in connection with the resolution now before the Federation. The sum of Rupees Five Lakhs placed at the disposal of the Board, even regarded as the first instalment, is extremely inadequate and it is difficult to imagine that any substantial benefit to industry from the point of view of the many technical difficulties facing them can accrue from research carried out on this comparatively insignificant scale. One has only to think of the vast sums that are being spent in European countries, in America and in Japan on industrial research to realise that the Government will have to open out their purse strings much more generously if the newly constituted Board is not merely to be a gesture but a concrete, sincere and vigorous attempt to put Indian industry on its feet.

Taking into consideration the size of the country and the immense distances between the industrial centres, the second point which the Government will have to take into consideration is the desirability of having at least two or three provincial branches, beginning with Bombay and Calcutta, of the Board. This naturally pre-supposes active collaboration between the Provincial Governments and the Government of India Board with its headquarters at Delhi. While the administrative needs of the Board might require its being in Delhi in immediate and continuous contact with the Central Government, there is little doubt that the actual technical work of the Board would be much more concerned with Bombay and Calcutta that two centres of industry in India. It is therefore desirable that at least two provincial Boards of industrial research should be set up immediately, so that the whole problem might be taken up from the very outset in a co-ordinated manner. Financial difficulties in the way of such expansion of the Board's activities might be got over by suitable arrangements with the Provincial Governments and with the local industries.

I am aware that compactness and limitation of size are helpful to efficiency and for this reason perhaps the first Board is being constituted with only four scientists and six industrialists but I am afraid that in the present instance such considerations of compactness must be sacrificed to some extent in favour of an immediate enlargement of the Board if quick and substantial results are to be achieved This is not the occasion for going into the details, but when the varied types of industries and the many technical aspects of each industry are considered, the desirability of the expansion of the Board would at once become apparent. Speaking for instance from the special point of view of Bombay, it is necessary in any organisation of the Board and also in the schemes of research to be undertaken at the earliest possible moment, to take into account the special needs of the cotton industry, which is the backbone of the industrial life of that Province. The dependence of the country on imports from abroad for the dyes and essential chemicals used by the Cotton industry is well known and was referred to for instance by Sir Ardeshir Dalal when he addressed the University Department of Chemical Technology in Bombay recently. One of the primary objects of the Board must be to solve this vital problem, at any rate, so far as the raw materials of the country and the plant and machinery that may be available at present permit.

While I am on this subject, I might refer to the disquieting feature of an editorial of the *Times of India* on the new Board, in which it is suggested that the Board should not be concerned with national self-sufficiency, but should keep in mind the needs of Indian agriculture. The fact of India being an agricultural country, whatever this may mean exactly, and the inability of the Indian industrialist to impress on the Government of India the need for giving practical and substantial support to the struggling Indian industries have so often worked in favour of big foreign interests that I feel that the Federation must keep constantly before Government our vital national requirements. America being an agricultural country, in a far more real sense than India, has not prevented it from being simultaneously one of the foremost industrial countries in the world. Agriculture and industry are in fact interdependent and the real conflict of interest is not between them, but between Indian industry on the one hand and its foreign competitors on the other. Self-sufficiency in the ultimate sense, we might agree, is not possible of achievement under modern conditions, and is even not desirable, but it would be an entirely different and completely indefensible position to take up to say that basic industries such as coal tar distillation, caustic soda, chlorine, sulphuric acid, dyes, medicinal chemicals and textile auxiliaries are industries which might safely be left out of account by us because we have the good fortune to be able to produce rice, wheat, cotton, etc., by largely unscientific methods and so often on an uneconomic basis. The National Planning Committee has already covered much valuable ground from this point of view, and taking the results of their labours into consideration, the new Board must undoubtedly survey the whole problem from the standpoint of national self-sufficiency in so far as the basic chemical and engineering industries on which all industrial production depends, are concerned.

With these words, gentlemen, I commend the Resolution for your acceptance.

Mr. Gurusharan Lal (Bihar Chamber of Commerce, Patna) :

Sir, I beg to support the resolution so ably put forward by Mr. Amrit Lal Ojha and seconded by Sir Rahimtoola M. Chinoy.

It is an unfortunate fact with us that however pious be the intention with which we start researches and however zealous the Industrialists be to utilize the results of such researches, we seldom find ourselves in a position to benefit by the scientific work of our own people. It is a fact that the Industrialists want to take advantage of the natural resources of India and the Indian Scientists do find out means of utilizing the resources but the two are done without any link between them and while the former continue to work rather inefficiently in the stereo-typed manner, the latter rejoice in the theoretical aspects of their works of purely academical importance. We have seen the success of utilization of molasses as Road-building material, cattle food, manures and for making of power alcohol. Bagasse of cane and husk of paddy are proved to be good material for the making of costly activated carbon and the former for making straw-board but they are not being utilized on a commercial scale for any of these purposes. Research institutes working with seedlac and shellac have found different utilities some very paying indeed of these indigenous products but to the country so far, there have been so much of the money spent on researches lying blocked.

We have many Research Industries working in most disorganised fashions and in most cases for a want of liaison between the Research and Industry, we have not been able to utilize them as we should have done.

The Finance Member has announced that a sum of five lakhs of rupees would be provided to the Board for its expenses. I submit, Sir, that the sum is wholly inadequate for the purposes of such an important work. The amount should have been at least one crore of rupees. Take the case of artificial silk which India aspires to manufacture. It would require a fairly large sum to investigate its possibilities. A Tariff Board enquiry on one matter alone requires an expenditure of about Rs. 7 lakhs. It is hoped that they will increase the amount suitably and considerably to meet the demand of research work.

I whole-heartedly support this proposal and request you to carry the resolution unanimously.

Mr. Keshavprasad Goenka (Jute Balers' Association, Calcutta):

Mr. President and Brother Delegates,

I rise to support the Resolution before the House regarding the necessity of a closer contact between scientific research and industrial progress in this country. The position so far existing in this country has been that while institutions conducting researches into various branches of science go their own way, the industrialists do not get any benefit out of those researches in industrial technique that have been done by such institutions. I feel that if industry is to progress and if scientific research is to be fruitful, there must be a specific machinery for bringing about increasing co-operation between these two institutions so that industry and science could go hand in hand for the realisation of the objective of increasing the efficiency of industrial production with a view to increasing the national income and the welfare of the people of this country. In this connection I do certainly welcome the setting up of an Industrial Board by the Government of India and judging from the personnel of the First Board, I hope and trust that their labours in the direction mentioned above will be really useful to the industrialists in the country. I should, however, like to emphasise that the terms of reference or the scope of the work of the present Board seems to be confined to the only objective of bringing about greater co-ordination between scientific research and industrial progress. I feel that the scope of the work of the Board, if it is really to be helpful to the country, must be widened so that this Body can explore the possibilities of developing different kinds of secondary industries and the lines by which greater and more effective use could be made of all the raw materials produced in India. I will give a few examples to illustrate my point. We have, for example, a fully-developed Textile Industry, a fully-developed Sugar Industry and so on. The newly set-up Board could enquire into the progress made by these industries and suggest possibilities of developing certain new auxiliary industries which cater not for the needs of the consumers but for the requirements in respect of the stores, small spare parts of machinery and so on which are required by the organised and established industries in this country. Another point is that India is a producer of large number of raw materials such as oil-seeds or a large quantity of short staple cotton. There is no reason why we should not manufacture vegetable oils on an increasing scale and paints and dyestuffs in which some of these vegetable oils are used, so as to create an internal market for our own raw materials. It is also well-known that the kind of short staple cotton that India produces has not many markets in the world. New uses could be found for utilisation of short staple cotton in the direction of developing artificial silk yarn and Rubber Tyre Industry. My main point, Sir, is that the Scientific Body should try to find alternate uses for the raw materials so that ultimately an organisation like this should contribute to the diversification of the present industrial structure of the country. I hope, Sir, that I have made my point clear and I have every hope that the House would support the resolution.

Mr. I. D. Varshnaie (U. P. Chamber of Commerce, Cawnpore):

Mr. President and Brother Delegates,

It has been a great pleasure to me to know that the Board, as set up for industrial research, is to consist of some very experienced and important personalities. The Research Department of the Government of India has been in existence for several years, for five years or so. I am especially interested in the glass industry, and I know more than four years have been spent on different researches in respect of glass. I several times enquired what was the result of so and so research, but I have not been able to find out really what success they have achieved. The other day I happened to be in Calcutta and I asked several glass factories there if they were benefited by any of those researches but the reply was in the negative. Again a short while ago, in the Association of Glass Manufacturers the same question was raised and there too we have not been able to know whether there have been any tangible results as a result of the four years of research. A glass furnace was built in Ferozabad, nobody has thought it economical or worthwhile to copy it in any other factory. I know there are very important personalities on the Board, but they are experienced in a certain line. They cannot be expected to know all about so many different branches of industry. Therefore, what is very urgently needed is that all the research people who are engaged in any research should be made to intimately connect themselves and be absolutely in touch with people for whom they are making the research. Then only can their researches be made useful. I know several results have been obtained by researches, but many of those results were not made known for several years, and in the meantime other people made research and made known their results. Therefore, all the energy and money so spent seem to have been not well utilised. These two points are very important, namely, that whatever the researches be undertaken, should be entirely in connection with the needs of the industrialists who are already engaged in that line, and secondly, the results should be made known as early as possible to those people who need them or be made public. With these words I support this resolution.

***Mr. B. P. Aggarwala** (Indian Colliery Owners' Association, Jharia):

Mr. President, Brother Delegates and Gentlemen,

I have been desired to add a few words in support of the resolution which has just been moved, seconded and supported. As Mr. Ojha, the worthy President of the Indian Colliery Association, has stated, there are immense potentialities for coal, especially, the lower grade coal which can hardly find a market nowadays. From coal we can get petroleum, we can get sulphate of ammonia and coal tar, which by-products can be usefully utilised for the benefit of the country. He has also laid stress on the possibilities of exploring as to how we can use the molasses of the sugar factory. I do not think I need add anything more to support this resolution which I commend to the House for adoption because industrial research is of vital importance to our country. With these words I support the resolution.

The resolution was then unanimously adopted.

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* Speech not corrected.

Mr. Satya Paul Virmani (Punjab Federation of Industries, Amritsar) :

Sir, I beg to move :

REFUND OF DUTY ON IMPORTED RAW MATERIALS

The Federation invites the attention of the Government of India to the system of customs drawbacks and allowances in the Customs and Excise Tariff of the United Kingdom, and recommends to the Government to adopt a similar system in the Indian Customs and Excise Tariff so that in the case of imported raw materials which the Indian industrialists use for the manufacture of goods meant for export, the industrialists should be entitled to receive a refund of duty on the said imported raw materials in order to encourage production for export markets.

This resolution seeks to bring the tariff system in this country into conformity with the principles which inspire the tariff system of the United Kingdom. The arguments in support of the resolution are simple. We seek to have a system in this country under which the export of manufactured articles from this country to countries abroad is encouraged. Certain manufactured articles require raw materials, which have to be imported into this country, and, in order that the export of articles manufactured out of these raw materials should be encouraged, it is necessary that the raw materials should be made available as cheaply as possible to manufacturers. If the customs duty which is charged on such raw materials imported into the country is refunded when the manufactured article is exported, it is clear that the raw material becomes available to producers at a cost which might encourage them to utilise for the purpose of manufacture of goods designed for export. An importer of raw materials for this purpose has to pay under the existing tariff system, in this country, two kinds of charges. He has in the first place to bear the cost of transport which, in itself, is a sufficient check on the import into the country of raw materials required for manufacture of articles which are subsequently exported. Secondly tariff duty has to be paid on the raw material and the result is that it is very seldom in the interest of a producer to manufacture articles out of imported raw materials.

That such a system is iniquitous is clear. Realising this, the Government of the United Kingdom instituted a system of customs drawbacks and allowances under which the duty paid on imported raw materials for the purpose of manufacture of articles required for export is refundable. It is not only because this system prevails in the United Kingdom that this resolution requires your support, it also calls for a sympathetic consideration of the authorities on account of the fact that industrialisation in the country has not only to proceed on the basis of encouragement of industries to supply the home markets, but also on the basis of the encouragement of industries to supply overseas markets. The present lopsided balance between agriculture and industry in the country has to be altered, if the economic conditions of the country are to improve at all, India must not remain an exporter only of raw materials, she must step into the world market as an exporter of industrial products also. If the suggestion adumbrated in this resolution is adopted by Government it will go some way towards the encouragement of industrial production in the country for export purposes. I am aware that even the adoption of this suggestion cannot entirely remove all the obstacles which stand in the way of the industrial development of the country for the purpose of both supplying the home market and the overseas market ; every measure has to be adopted in order to encourage such development. But modest as this demand is, it will be a right step in the effort towards the encouragement of industries which, I am sure you will all support, and, which I trust the Government will adopt.

Mr. Dewan C. Mehra (Textile Manufacturers' Association, Amritsar) :

Sir, I rise to second the Resolution moved by my friend Mr. Satya Paul Virmani. The Resolution asks of the Government of India for the Indian Industry nothing more than what the British Government is already doing for British Industry. Mr. C. B. Mehta has furnished us this morning with statistics of India's dwindling export surplus. It is very necessary that we should develop our export trade if we are to remain economically sound. All countries nowadays are doing their level best to develop their export trade and the slogan of some of the exporting countries is "export or die." Present is the proper time for India to develop her export trade, because most of the manufacturing countries of the world are now busy doing something which could hardly be called "manufacturing." Speaking for the special interests that I represent, namely, the textile industry at Amritsar, there has been during the last one year or so an unexpected but welcome inquiry for our rayon, woollen and cotton textiles from U.S.A., Australia, New Zealand, Uganda, Kenya, Tanganyika, etc., and sales on a small scale have also been effected. But we manufacture piecegoods with yarns which are, unfortunately, imported from abroad, mostly from Japan, on which we pay fairly heavy import duty. If this duty is refunded, as it is being done in England, I am sure, it will go a long way to develop our export trade. With these few remarks, I commend the Resolution to the House for acceptance.

Mr. Sankalchand G. Shah (Bombay Shroff Association, Bombay) :

I have great pleasure in supporting the Resolution moved by Mr. Virmani and seconded by Mr. Mehra. I would only add one or two articles to which I wish to refer. The first is with reference to the artificial silk industry in Bombay and other parts of the country. You are aware that several mills have started in Bombay for weaving artificial silk and if the duty is refunded on the imports of the raw materials of that article, I think we shall be able to build up a very big export trade to the benefit of the country. Further I should refer to the rubber industry. We have been importing chemicals for the rubber industry to the tune of lakhs of rupees. If the duty that we have been paying on the chemicals is refunded to us there will be a very heavy demand for rubber articles and we will build up a very big export trade. This will relieve unemployment here and our industries will flourish. In view of the importance of this Resolution, I think it is high time that we should press the Government of India and the Customs Department to give us a refund of duty as has been done in the United Kingdom, Japan, the United States and many other countries. I commend the Resolution to your support.

Mr. I. D. Varshanaie (U. P. Chamber of Commerce, Cawnpore) :

Mr. President and Friends,

The Resolution has already been moved, seconded and supported. There is not much for me to say at the fag end of the day when we are all in a hurry to leave. Anyway I will just point out one thing and that is that it is now recognised by all the civilised nations of the world that it is not a desirable thing to put an import duty on raw materials. I will tell you something about the glass industry. We have been getting a refund of duty on soda ash for the last 4½ years but the important thing when these refunds are given is that care should be taken that the benefits of refund are not minimised. Now, in respect of the soda ash refund, there is something very interesting, which I should like to put before you. In August 1937, the price of soda ash was Rs. 87-8 per ton. It went on increasing till in January 1938, it rose to Rs. 102-8, that is an increase of Rs. 15 in price but the refund of duty during all this period has been Rs. 16 per ton. From Rs. 102-8, it rose to Rs. 107-8 in January 1939, while the refund of duty was increased by only 8 annas, that is, Rs. 16-8. It has now increased to Rs. 125 and we do not know what the refund will be because no refund has been made yet since 1939. Then there is another point. Before the refund used to be made in the course of two months but now 8 months have passed and no refund is available. So, there are two very important points. Whenever the refunds are allowed, they should be just the duty allowable and the refunds should be allowed within the shortest possible period. If it takes 8 months for a refund, it simply nullifies the benefits of the refund. With these few words, I support the Resolution.

***Mr. Gajadhar Somani** (Bombay Bullion Exchange, Bombay): Mr. President,

I wish to make a few observations upon this Resolution from the point of view of the textile industry which is one of the major industries of this country. You will remember, Sir, that the Government of India last year raised the duty on foreign imported raw cotton from half an anna per pound to one anna per pound. It is an admitted affair that the taxation of essential raw materials is against all accepted principles of sound taxation and strong representations were made from all quarters of the country that this increase should be withdrawn but perhaps the Government of India had another motive in imposing this duty. Perhaps they wanted to increase the export of piecegoods from the United Kingdom to this country and hence all our representations fell on deaf ears. At that time, it was expected that the Government would at least agree to refund the duty on such goods as are meant for export out of this country. Unfortunately, it is a pity that the Government did not yield even in accepting this modest demand. The position today is that the Indian textile industry is producing much more than this country can consume and has still further got the capacity of increasing its production to any extent if the demand expands. If the industry is to be saved from outside competition and if the industry is not to be crippled internally, then we must find some outlet for export of its surplus manufactured goods. Now, India is such a backward country in the matter of industrialisation that it is certainly very difficult for the Indian mills to compete in any foreign markets against highly industrialised countries like Japan and other Western countries. The cotton textile industry in India is at present attempting to capture some of the overseas markets and now due to the European war, there is at present a good opportunity for capturing those markets if the Government of India even today yields to this modest demand and grants this refund of duty in respect of articles exported from this country. I think it will give some relief to the textile industry and will be an encouragement for the capture of the overseas market. I hope, therefore, that the modest demand contained in this Resolution will meet with a better fate at the hands of the Government and that the Government will see their way to accept the principle which has been enunciated in this Resolution. With these few words, I support the Resolution.

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* Speech not corrected.

The Resolution was then put to the House and declared carried unanimously.

President: We shall now proceed with the consideration of Item No. 4 of the Agenda, which relates to the question relating to the co-option of the retiring President on the succeeding Committee of the Federation.

Hon'ble Sir Rahimtoola M. Chinoy (Indian Merchants' Chamber, Bombay) :

CO-OPTION OF THE RETIRING PRESIDENT

Mr. President and Fellow Delegates,

The question, which is on the Agenda as Item No. 4, is extremely interesting and is, if I may say so, very important in so far as the Constitution of the Federation is concerned. The President of the Federation almost enjoys a unique position in the world of trade, commerce and industry as also *vis-a-vis* the public and the Government of the country. It is the highest honour which the commercial community can confer upon one of their colleagues. It is therefore but meet and proper that the Federation should try its best to see that the dignity and prestige attached to the office of the Presidentship are preserved to the fullest extent at all times. It is in consonance with this that a suggestion has been made that the out-going President, if he does not seek election or is not elected, should be co-opted on the new Committee for the succeeding year, as a convention and that is my suggestion.

Lala Shri Ram (Delhi Factoryowners' Federation, New Delhi):

I want to say just one word on behalf of the last executive committee. This question was raised by the Buyers and Shippers Chamber of Karachi. They, as usual, had some sort of a grievance against the committee that we did not co-opt Mr. Mehta. My whole point is that the committee has no objection to co-opt the immediate ex-President if that is the sense of the House. The constitution cannot be changed but a convention can be made that the immediate ex-President whether he stands or does not stand should be co-opted as one of the members of the Committee. It is an easy matter if that is the unanimous sense of the House. I suppose everybody will agree.

Sir Rahimtoola M. Chinoy: May I suggest that you take the sense of the House ?

Mr. K. L. Narasimha Rao: I do not want to raise any controversy about this matter. If you co-opt the retiring President, it may be in some respects embarrassing to him. What I would suggest is that it should be not merely a matter of convention. It ought to be laid down in the statute.

President: We cannot amend the constitution. We can only have it by convention. We cannot change the constitution without proper notice.

Mr. A. L. Ojha: It is unnecessary to discuss the matter. Lala Shri Ram has made it clear what is the attitude and opinion of the committee. And if there is no delegate here who is opposed to this or who wants to raise an objection, then without any further discussion we can certainly adopt this convention.

Mr. Haridas Lalji (Buyers and Shippers Chamber, Karachi): I rise to express the satisfaction and appreciation of my Chamber which had requested the Federation to adopt this procedure. It gives me greater pleasure because this has been seconded by Lala Shri Ram.

President: Gentlemen, I take it that the co-option of the outgoing President for the following year has been adopted as a convention.

The motion was unanimously adopted.

President: Now, that the Resolution has been passed, I may say that with regard to Mr. Jamshed Mehta, the previous Committee had all the regard for him. It was not intentional that he should be excluded.

Let us now proceed to the next item on the agenda, the election of the President and six members of the Committee. I have already announced that Mr. Ojha has been elected as President. The election results are :

Election of Office-bearers and Members of the Committee for the year 1940-41

President

Mr. A. L. Ojha, Calcutta.*

Honorary Treasurer

Mr. Chunilal B. Mehta, Bombay.*

Sugar Mills

Lala Padampat Singhania, Cawnpore.*

Insurance

Mr. J. C. Setalvad, Bombay.*

Transport

Mr. Gaganvihari L. Mehta, Calcutta.*

Other Industries not specified

Mr. Devi Prasad Khaitan, Calcutta (Paper and Starch Industry)	27 Votes.

Other Trade and Commerce not specified

1. Mr. Satya Paul Virmani, Amritsar (Wheat) ..	27 "
2. Kumararajah M. A. Muthiah Chettiar, Madras (Imports and Exports Trade)	25 "

Election of Honorary Auditors

President: I move that Mr. Vaidyanath Aiyar, B.A., G.D.A., R.A., Delhi, be appointed Honorary Auditor to the Federation.

The proposal to appoint Mr. Vaidyanath Aiyar as Honorary Auditor was unanimously accepted.

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* Elected unopposed.

VOTE OF THANKS TO THE PRESIDENT

This Federation puts on record its great appreciation of the services rendered by the President, Dewan Bahadur C. S. Ratnasabapathi Mudaliar, during the term of his office and expresses its warmest thanks to him.

Mr. Kasturbhai Lalbhai: Sir, it is my very pleasant duty to propose a vote of thanks to the retiring Chairman. As everyone of you present here knows, he has guided the deliberations for the last two days with very great tact and ability. But for his presiding over our deliberations, it is doubtful whether our proceedings could have been as smooth as they have been in the last two days. Not only that, but throughout the course of the year he has been of great assistance to the trade and commerce of the country which can be seen in the work that has been done by your Executive Committee over which he presided during the course of the year. A great deal of work had to be put through because of the war conditions which arose in the latter half of his office and because of the great ability and influence that he wields, we have been successful in getting several concessions from the Government. I once more move a very hearty vote of thanks to the Chairman.

Mr. A. L. Ojha: Mr. Chairman and Brother Delegates, I have great pleasure in associating myself with all that has been said by Mr. Kasturbhai in moving the vote of thanks to our retiring President. Our retiring President because of his work in the past is so well known that I do not think I should add anything further to what has been said by Mr. Kasturbhai. I would like to add only one word more. He had to suffer a good deal of inconvenience because he comes from the farthest corner of India and, as I understood from him, he had to undergo many times inconveniences and in spite of all that, he has tried his best to serve the best interests of the country and, in particular, the interests of the commercial community.

Before resuming my seat, I wish to thank you all from the bottom of my heart for the honour done to me by electing me your President for the ensuing year. I think the honour done to me is the honour done to the Province and the constituency I represent. I need not assure you, Gentlemen, that I shall do my best to serve the best interests of the country and, in particular, the interests of the commercial community to the best of my ability. I know my shortcomings and I know my difficulties. I also know how great responsibilities are attached to this Chair which it is difficult for a man like myself to discharge successfully, but I am confident that with the help and co-operation and support of you all, my task will be lightened and I shall be able to do something and to maintain the tradition of the Chair which has been occupied in the past by so many distinguished persons, like Sir Purshotamdas Thakurdas, Mr. G. D. Birla, Lala Shri Ram, Mr. Kasturbhai Lalbhai and others.

I do not think I should take your time further and I will therefore once again mention that we are very thankful to the retiring President for all that he has done in the interests of the Federation. Gentlemen, I commend this Resolution to your acceptance which I hope you will carry with acclamation. It runs as follows :

"This Federation puts on record its great appreciation of the services rendered by the President, Dewan Bahadur C. S. Ratnasabapathi Mudaliar during the term of his office."

The Resolution was carried with acclamations.

Rao Sahib C. Hayavadana Rao : Sir, I have been asked by many friends here to say a few words from the point of view of the retiring Committee, especially having regard to the great conveniences created for it during the past year and incidentally also to support the vote of thanks that has been proposed in favour of the retiring President. As you all know, the Federation is going strong and we are all thankful to God for it. Not only that, the work of the Federation is also increasing and the post of the President is not only honourable to its holder but has also become very onerous in many ways. We have got today three printed Volumes devoted to the work done by it which shows how much the President and his office have to do in order to make the work of the Federation successful throughout the year. Though we meet only once a year, the Committee meets at least four or five times in the year. We have been a happy good family throughout the year and there has not been a single occasion when a discordant note had been struck by anybody in the Committee. The credit for this goes to our amiable President. His smile is always there to help us through our work. The work of the Federation is unique in its character. What it has done within the past 13 years should have taken at least half a century to achieve in other circumstances. That shows the nature of the work it has been doing and what value we should attach to it. We must not also forget the work of the Secretary and the Assistant Secretary and the whole staff, who have worked exceedingly well. We should also thank them for the earnestness and zeal they have put into their work. We would also take this opportunity to welcome the incoming President whom, we all know, as one of our very best friends and who is likely to make one of our most successful Presidents.

President: Friends, what has been said by my esteemed friend Mr. Kasturbhai and others has deeply touched me. My heart is full and therefore my words can only be a few, and if I am not able to fully express my feelings, I am sure you will please pardon me. It has been said that very many things have been done or achieved by the Federation during my term of office. I for my part will confess that things to be done are more than the things that have so far been done, taking into account the plight of our country at the present time and for the acts of commission or omission, I am responsible and not the Committee. If I have done anything, the credit should go to the Committee, Mr. Mulherkar and the staff. What has been said by Mr. Kasturbhai and other friends are token of their goodwill towards me which will serve as further encouragement to me for doing service to the country generally and the commercial community in particular.

Mr. H. P. Bagaria: Mr. Chairman, before we disperse, I would like to say a few words on the very important problems that are facing the commercial community in India, Sir, the barometer on the ship of the commercial community points in no unmistakable terms to the foul weather ahead. The trend of thought that is developing in this country has been given expression to in some of the recent pronouncements of the Members of the Legislative Assembly. You are all aware of the fact that immediately after the war a situation was created wherein any person could be lynched if he could only be called a ' profiteer.' You will all admit that the trend of thought that is developing in this country is not at all favourable to the growth of commercial enterprise and business in this country. It is, therefore, absolutely essential for the Indian commercial community if it wants to survive and prosper that we should all unite and make efforts to preserve the commercial community from onslaughts that are likely to be made against it. Yesterday a member made a suggestion that instead of holding these meetings in Delhi, we should hold them in different towns of the country. That will serve a very useful purpose inasmuch as it will bring leading commercial people from all parts of the country into touch with local business people.

Mr. L. N. Birla: On a point of order, Sir. Are the delegates to make speeches like this after the whole work on the agenda is more or less over

President: I am afraid the Honourable Member is out of order in making a speech of the kind that he is making. I have no objection to have a sort of informal discussion if all the members present here are agreed to that course. I do not know whether the Honourable Member wants to move a Resolution on the subject.

Mr. Bagaria: This is a sort of informal talk. We should not forget that this is a meeting of the business people, it is not a meeting of lawyers who would dispute over niceties. (*Interruption*). I am in possession of the House. Let me make my position clear and conclude what I have got to say. If my friend Mr. Birla has got anything to say he can speak later on. From the very beginning I made it clear it was not a Resolution that I was moving, but that I was raising an informal discussion on a matter which is agitating the minds of the commercial community.

Mr. Kapadia: In view of the fact that the acoustics of this Chamber are not good, may I suggest that from next year, arrangements may be made for a microphone. I want the committee to consider that question very seriously from next year.

Mr. A. L. Ojha: I think when delegates are not in a mood to listen to any further discussion because I see they are tired, it would be well if we adjourn now. My friend, Mr. Bagaria, can certainly make representations to the Federation.

Mr. Bagaria: It is not necessary for me to make any representations. I am raising this informal discussion. How can you say that the delegates are not in a mood to listen to me. I can point out that when I was speaking the Members were listening very attentively thereby showing their interest in the question.

Mr. Ojha: I think we can adjourn now. Before we disperse, I have to request the members of the Federation, the National Committee and A.O.I.E. to kindly attend the meetings of the Committee of the respective Bodies which will be held in the adjoining room.

The proceedings of the 13th Annual Session of the Federation then came to a close.

APPENDIX

List of Member-Bodies of the Federation of Indian Chambers of Commerce and Industry with their Representatives.

Names of Members.	*Names of Representatives.*
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Mr. Kasturbhai Lalbhai.
	2. „ Durgaprasad S. Lashkari.
	3. „ Chinubhai Naranbhai.
	4. „ Rasiklal C. Nagri.
2. Ahmedabad Share & Stock Brokers' Association, Ahmedabad.	1.
	2.
	3.
	4.
3. All-India Soap Makers' Association, Calcutta.	1. Mr. J. N. Banerjee.
	2.
	3.
	4.
4. Andhra Chamber of Commerce, Madras.	1. Mr. V. Venkateswara Sastrulu.
	2. Hon'ble Mr. Narayanadas Girdhardas.
	3. Mr. K. L. Narasimha Rao.
	4. „ C. Ranganayakulu Chetty.
5. Association of Indian Industries, Bombay.	1. Mr. Madhavlal M. Bhatt, J.P.
	2. „ M. J. Vaidya.
	3. „ M. J. Buch.
	4. „ G. S. Marathey.
6. Bengal Industries Association, Calcutta.	1. Mr. Nagendra Nath Rakshit.
	2. „ A. C. Datta.
	3.
	4.
7. Bengal National Chamber of Commerce, Calcutta.	1. Dr. N. N. Law.
	2. Mr. N. R. Sarker.
	3. „ D. N. Sen.
	4. „ R. C. Dutta.
8. Bengal Rice Mills and Merchants' Association, Calcutta.	1. Mr. Ashutosh Bhattacharyya.
	2. „ N. C. Sarkar.
	3.
	4.
9. Berar Chamber of Commerce, Akola.	1. Hon'ble Mr. Brijlal Biyani.
	2. Mr. Kisanlalji Goenka.
	3. „ Laxminiwasji Ganeriwal.
	4. „ Motilalji Kela.

Names of Members.	*Names of Representatives.*
10. Bihar Chamber of Commerce, Patna.	1. Mr. Gurusharan Lal. 2. „ Shanti Prasad Jain. 3. „ Rama Prasad Gupta. 4. „ B. Das, M.L.A.
11. Bombay Bullion Exchange Ltd., Bombay.	1. Mr. Chunilal B. Mehta. 2. „ L. H. Dagha. 3. „ J. A. Gajadhar Somani. 4.
12. Bombay Shroff Association, Bombay.	1. Mr. Chunilal B. Mehta. 2. „ Mohanlal Ambalal Parikh. 3. „ Mangulal Trikamlal. 4. „ Sankalchand G. Shah.
13. Bombay Yarn Exchange Ltd., Bombay.	1. Mr. Ramdeoji A. Podar. 2. „ Sankalchand G. Shah. 3. „ Kantilal Nehalchand. 4. „ Gordhandas Jadavji.
14. Burma Indian Chamber of Commerce, Rangoon.	1. 2. 3. 4.
15. Buyers' and Shippers' Chamber, Karachi.	1. Mr. Jamshed Nusserwanji. 2. „ Hoshang N.E. Dinshaw. 3. „ Haridas Lalji. 4. „ Harilal Udhavdas.
16. Calcutta Jute Exchange Ltd., Calcutta.	1. Mr. N. R. Poddar. 2. „ Anand N. Dar. 3. 4.
17. Cawnpore Kapra Committee, Cawnpore.	1. Mr. Guruprasad Kapoor. 2. „ Mannilall Newatiya. 3. „ Kedarnath Murarka. 4. „ Chandu Lall Patel.
18. Delhi Factory Owners' Federation, New Delhi.	1. Lala Shri Ram. 2. Mr. C. W. Erskine. 3. Lala Baij Nath Sayal. 4. Mr. R. K. Saxena.
19. Delhi Hindustani Mercantile Association, Delhi.	1. Mr. Panna Lal Arora. 2. „ Panna Lal Jain. 3. „ Naurang Rai. 4. „ Benarsi Das.
20. East India Cotton Association Ltd., Bombay.	1. Sir Purshotamdas Thakurdas. 2. Mr. Ramdeo Anandilal Podar. 3. „ Jamnadas Ramdas. 4. „ Ramdas Kilachand.

Names of Members.	*Names of Representatives.*
21. East India Jute Association, Calcutta.	1. Mr. H. P. Bagaria. 2. 3. 4.
22. Federation of Baroda State Mills and Industries, Baroda.	1. Mr. Chaturbhujdas Chimanlal. 2. „ Maganlal Bhikhabhai Patel. 3. „ Chhotalal Bhailalbhai Patel. 4. „ Anandlal Hiralal.
23. Godavari Chamber of Commerce, Coconada.	1. 2. 3. 4.
24. Grain Merchants' Association, Bombay.	1. Mr. Khimji Shamji. 2. „ Ratilal Mulji Gandhi. 3. „ Nandlal M. Bhuta. 4. „ Manilal Dhanji Tejani.
25. Gwalior Chamber of Commerce, Lashkar.	1. Mr. R. K. Birla. 2. 3. 4.
26. Hyderabad (Dn.) Chamber of Commerce, Secunderabad.	1. 2. 3. 4.
27. Indian Chamber of Commerce, Calcutta.	1. Mr. N. L. Puri 2. „ L. N. Birla. 3. „ G. L. Mehta. 4. „ M. R. Jaipurea.
28. Indian Chamber of Commerce, Coimbatore.	1. Dewan Bahadur C. S. Ratnasabapathi Mudaliar. 2. Mr. P.S.G. Ganga Naidu. 3. „ B.A. Padmanabha Iyer. 4. „ V. Palanisawmy Naidu.
29. Indian Chamber of Commerce, Tuticorin.	1. Mr. J. L. P. Roche Victoria. 2. „ V. V. Dhanushkodi Nadar. 3. „ K. A. M. A. K. Rajarathina Nadar. 4. „ P. S. R. Kudlinga Nadar.
30. Indian Chamber of Commerce, Lahore.	1. Sirdar P. S. Sodhbans. 2. Mr. R. K. Jain. 3. „ H. D. Mehta. 4. S. B. Sirdar Ujjal Singh.

Names of Members.	*Names of Representatives.*
31. Indian Chemical Manufacturers' Assn., Calcutta.	1. Mr. L. N. Birla.
	2. Dr. Kedarnath.
	3. Mr. Bodhraj Kapoor.
	4. Dr. K. A. Hamied.
32. Indian Colliery Owners' Assn., Jharia.	1. Mr. Amritlal Ojha.
	2. „ Karamchand Thapar.
	3. „ B. P. Agarwala.
	4. „ Purshottam Chowhan.
33. Indian Insurance Companies' Association, Bombay.	1. Mr. Jiwanlal Chimanlal Setalvad.
	2. „ W. Millard.
	3. „ Vijayasingh Govindji.
	4. „ Bhimarao Setalvad.
34. Indian Insurance Institute, Calcutta.	1. Mr. S. C. Ray.
	2. „ S. Bagchi.
	3. „ K. C. Banerjee.
	4. „ S. N. Roy.
35. Indian Life Assurance Offices' Association, Bombay.	1. Pt. K. Santanam.
	2. Hon'ble Mr. Ct. M. Chidambaram Chettiar.
	3. Mr. K. C. Desai.
	4. „ Byramjee Hormusjee.
36. Indian Merchants' Association, Chittagong.	1. Rai Upendra Lal Roy Bahadur.
	2. Mr. N. T. Dikshit.
	3. „ Kumud Behari Choudhury.
	4. „ Nalini Kanta Das.
37. Indian Merchants' Chamber, Bombay.	1. Mr. Chunilal B. Mehta.
	2. „ M. C. Ghia.
	3. Hon'ble Sir Rahimtoola M. Chinoy.
	4. Mr. Manu Subedar.
38. Indian Mining Federation, Calcutta.	1. Rao Bahadur D. D. Thacker.
	2. Mr. Ramsaran Das.
	3. „ M. P. Gandhi.
	4.
39. Indian National Steamship Owners' Assn., Bombay.	1.
	2.
	3.
	4.
40. Indian Produce Association, Calcutta.	1. Mr. Rameshwarlal Nopany.
	2.
	3.
	4.

Names of Members.	*Names of Representatives.*
41. Indian Salt Association, Bombay.	1.
	2.
	3.
	4.
42. Indian Sugar Mills Association, Bombay.	1. Mr. D. Khaitan.
	2. Lala Karamchand Thapar.
	3. Mr. D. R. Narang.
	4. „ B. M. Birla.
43. Indian Tea Planters' Association, Jalpaiguri.	1. Mr. Debes Chandra Ghose.
	2.
	3.
	4.
44. Jute Balers' Association, Calcutta.	1. Mr. Debiprasad Khaitan.
	2. „ Keshavprasad Goenka.
	3. „ Babbulal Jalan.
	4. „ Santoshchand Bararia.
45. Karachi Indian Merchants' Association, Karachi.	1. Mr. R. K. Sidhwa.
	2. „ Dharm Lilaram Bhojwani.
	3. „ Issardas Varindmal.
	4. „ Harilal Udhawadas.
46. Karnatak Chamber of Commerce, Bagalkot.	1. Mr. Y. Mahabaleshvarappa.
	2. „ S. S. Sakri.
	3. „ Maganlal Shah.
	4. „ M. C. Handigund.
47. Kirana Committee, Delhi.	1. Lala Shankar Lall.
	2. „ Shiv Shanker Lal.
	3.
	4.
48. Madura-Ramnad Chamber of Commerce, Madura.	1.
	2.
	3.
	4.
49. Maharashtra Chamber of Commerce, Bombay.	1. Mr. D. R. Naik.
	2. „ V. K. Dhage.
	3. „ N. W. Gurjar.
	4. Rao Sahib P. I. Patil.
50. Mahratta Chamber of Commerce, Poona.	1. Mr. R. N. Abhyankar.
	2. „ A. R. Bhat.
	3. „ G. D. Apte.
	4.
51. Malabar Chamber of Commerce, Calicut.	1.
	2.
	3.
	4.

Names of Members.	*Names of Representatives.*
52. Marwari Association, Calcutta.	1. Mr. Mukundlal Chiripal. 2. „ Rajendra Singh Singhji. 3. Rai Bahadur Ram Dev Chokhany. 4. Mr. Hari Krishna Jhajharia.
53. Marwadi Chamber of Commerce, Bombay.	1. Mr. Begraj Gupta. 2. „ Kedarnath Agarwal. 3. „ Rameshwar Saboo. 4. „ Banarshidas Baid.
54. Marwari Chamber of Commerce, Calcutta.	1. Mr. Manglooram Jaipuria. 2. „ Sunderlal Daga. 3. „ Madanlal Khemka. 4. „ Rupnarayan Gaggar.
55. Maskati Cloth Market Assn., Ahmedabad.	1. Mr. Bhogilal Chottalal Sutaria. 2. „ Trikambhai Mahasukhram. 3. „ Shantilal Popatlal. 4. „ Chandulal Kevaldas.
56. Merchants' Chamber of United Provinces, Cawnpore.	1. Lala Padampat Singhania. 2. Sardar D. Inder Singh. 3. Mr. R. R. Gupta. 4. „ U. S. Mehrotra.
57. Muslim Chamber of Commerce, Calcutta.	1. Sir A. H. Ghuznavi. 2. Mr. S. M. Nauman. 3. Hon'ble Mr. Abdool Razak Hajee Abdool Sattar. 4. Mr. N. M. Elias.
58. Mysore Chamber of Commerce, Bangalore City.	1. Mr. Narayana Rao G. Naik. 2. Rajacharitavisarada Rao Sahib C. Hayavadana Rao. 3. Mr. Ramnarayan Chellaram. 4. „ B. R. Chandrasekharaya.
59. Native Share & Stock Brokers Assn., Bombay.	1. Mr. Jagmohandas J. Kapadia. 2. „ P. J. Shroff. 3. „ J. R. Motishaw. 4.
60. Nattukottai Chettiyars' Assn., Rangoon.	1. 2. 3. 4.
61. Punjab Federation of Industries, Amritsar.	1. Mr. Satya Paul Virmani. 2. „ M. L. Chowla. 3. Rai Bahadur Panna Lal. 4.

Names of Members.	*Names of Representatives.*
62. Seeds Traders' Association, Bombay.	1. Mr. Ratilal Mulji Gandhi. 2. „ Ramdas Kilachand. 3. „ Nandlal Mulji Bhuta. 4. „ Chandulal Jamnadas Vakharia.
63. Sindwork Merchants' Assn., Hyderabad (Sind).	1. 2. 3. 4.
64. Southern India Chamber of Commerce, Madras.	1. Hon'ble Mr. Ct. M. Chidambaram Chettiyar. 2. Kumararajah M. A. Muthiah Chettiar. 3. Rajah Sir Annamalai Chettiar, M.L.A. 4. Dewan Bahadur Balasundaram Naidu.
65. Southern India Skin & Hide Merchants Association, Madras.	1. 2. 3. 4.
66. Textile Manufacturers' Assn., Amritsar.	1. Mr. Balkishan Munjal. 2. „ Dewan C. Mehra. 3. „ Hari Kishan Khanna. 4. „ Bhagwan Dass Mehra.
67. United Provinces Chamber of Commerce, Cawnpore.	1. Lala Hari Shanker Bagla. 2. Hon'ble R.B. Lala Ramsaran Das. 3. Mr. I. D. Varshnaie. 4. „ R. K. Khaitan.

Associate Members

1. Indian Chamber of Commerce in Great Britain, London.
2. Indian Chamber of Commerce, Singapore.
3. Indian Mercantile Chamber of Ceylon, Colombo.
4. Indian Chamber of Commerce in Japan, Kobe.
5. Indian Chamber of Commerce of America, New York, U.S.A.

Ex-Officio Delegates

1. Mr. M. A. Master.
2. Mr. M. Muhammad Ismail.
3. Mr. A. D. Shroff.
4. Rao Bahadur Shivratan G. Mohatta.
5. Sir Ardeshir R. Dalal.

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

JUN 7 1941

PROCEEDINGS OF

THE FOURTEENTH ANNUAL MEETING

Held at Delhi on 22nd and 23rd March 1941

Vol. III

LIBRARY OF THE BOMBAY BRANCH OF THE ROYAL ASIATIC SOCIETY

1941

28, Ferozshah Road,
NEW DELHI.

OFFICE-BEARERS OF THE FEDERATION FOR THE YEAR 1941-42

President :
Mr. Chunilal B. Mehta.

Vice-President :
Mr. Gaganvihari L. Mehta, Calcutta.

Members of the Committee :

1. Mr. Kasturbhai Lalbhai, Ahmedabad.
2. Sir Shri Ram, New Delhi.
   (Textile Mills)
3. Lala Padampat Singhania, Cawnpore. (Sugar Mills).
4. Mr. J. C. Setalvad, Bombay. (Insurance).
5. Mr. N. L. Puri, Calcutta. (Banking, Banker & Bullion Trade).
6. Mr. Amrit Lal Ojha, Calcutta. (Mining).
7. Mr. Debes Chandra Ghose, Jalpaiguri. (Tea, Coffee and Rubber).
8. Mr. S. P. Jain Dalmianagar. (Cement and Heavy Chemicals).
9. Mr. Debi Prasad Khaitan, Calcutta. (Paper and Starch Industries).
10. Dewan Bahadur C. S. Ratnasabapathi Mudaliar, Coimbatore. (Ceramic Industry such as Pottery, Pipes, etc.)
    Industries not specified.
11. The Hon'ble Sir Rahimtoola M. Chinoy, Bombay. (Wireless).
12. Mr. Keshavprasad Goenka, Calcutta. (Jute Trade).
13. Sir Purshotamdas Thakurdas, C.I.E., M.B.E., Bombay. (Cotton Trade).
14. Lala Gurusharan Lal Gaya. (Produce).
15. Kumararajah M. A. Muthiah Chettiar, Madras. (Import and Export Trade).
16. Rao Bahadur Shivratan G. Mohatta, Karachi. (Metal, Gunny Bags, Wool Machinery and Building Materials).
17. Mr. Satya Paul Virmani, Amritsar. (Wheat Trade).
18. Rao Sahib C. Hayavadana Rao, M.L.C., Bangalore. (Silk Industry).
    Trade and Commerce not specified.

Honorary Treasurer :
Mr. Nalini Ranjan Sarker, Calcutta.

Co-opted Members :

1. Mr. G. D. Birla, Calcutta.
2. Mr. A. D. Shroff, Bombay.
3. Sir Abdul Halim Ghuznavi, M.L.A. (Central), Calcutta.
4. Khan Bahadur Adam Haji Muhammad Sait, Madras.
5. Mr. S. M. Bashir, Cawnpore.
6. Mr. Sankalchand G. Shah, Bombay.

Secretary :
Mr. D. G. Mulherkar.

Office :
28, Ferozshah Road,
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The Secretary

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Vol. III

PROCEEDINGS OF
THE FOURTEENTH ANNUAL MEETING

Held at Delhi on 22nd and 23rd March, 1941

FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

NOTE

At each Annual Session of the Federation, a report, being the proceedings of the Committee, is submitted for adoption. Since 1936 another volume is submitted to the Annual Session, being the print of important and relevant correspondence and documents relating to questions dealt with by the Federation during that year. This is followed by another publication being the proceedings of the Annual Session. All these publications are printed in three volumes :—

Volume I.	Report of the Proceedings of the Committee of the Federation for the year 1940-41 with audited statement of accounts for the year 1940.
Volume II.	Important correspondence and documents.
Volume III.	Proceedings of the 14th Annual Session of the Federation.

28, Ferozshah Road,
New Delhi,
1st May 1941.

D. G. MULHERKAR,
Secretary.

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FEDERATION OF INDIAN CHAMBERS OF COMMERCE AND INDUSTRY

Proceedings of the Fourteenth Annual Session held in Delhi on 22nd and 23rd March, 1941.

The Fourteenth Annual Session of the Federation was held in Delhi at the Old Assembly Hall, Alipore Road, on Saturday the 22nd March, 1941, at 11 A.M., with the President, Mr. Amrit Lal Ojha, in the Chair.

Amongst the persons who accepted the invitation from the Committee of the Federation to be present were—

Sir Bertram Stevens, Representative of the Government of Australia on the Eastern Group Council, Mr. M. S. A. Hydari, Representative of the Government of India on the Eastern Group Council, Mr. G. D. Birla, Mr. R. N. B. Brunt, President of the Punjab Chamber of Commerce, Mr. A. Duncan, Chairman, Indian Railway Conference Association, the Honourable Mr. Shantidas Askuran, Honourable Rao Bahadur K. Govindachari, Honourable Mr. J. H. S. Richardson, Mr. Ramsay Scott, M.L.A., Mr. Vidya Sagar Pandya, Mr. W. A. H. Heath, Honourable Mr. M. Ct. M. Chidambaram Chettiar, Rai Bahadur Seth Bhagchand Soni, M.L.A., Mr. Dunichand, Mr. D. M. Dahanukar, Mr. B. B. Kapasi, Mr. Omkarnath Bhargava, Mr. Shambu Nath, Lala Dwarkadas Jhunjhunwala, Seth Laxmandas Sarda, Seth Bherolal Sodhani, Seth Chunni Lal, Seth Hira Lal, Mr. Ashutosh Mazumdar, Mr. Hari Ranjan Biswas, Mr. U. N. Sen, Dr. P. P. Pillai, Mr. J. Cowley, Mr. Sham Nath, Mr. C. L. Gupta, Lala Balkishen Dass, Mr. C. V. Bliss, Mr. H. D. Vasudeva, Lala Kirpa Narain, Mr. H. P. Khandelwal, Mr. S. Vaidyanatha Aiyar, Dr. M. S. Natarajan, and Dr. Lanka Sundaram.

The following Delegates nominated by the Member-bodies of the Federation were present :—

Mr. Chunilal B. Mehta, Sir Shri Ram, Kumararajah M. A. Muthiah Chettiar, Lala Padampat Singhania, Mr. Debiprasad Khaitan, Honourable Sir Rahimtoola M. Chinoy, Sir Abdul Halim Ghuznavi, M.L.A., Mr. J. C. Setalvad, Mr. Gaganvihari L. Mehta, Mr. Debes Chandra Ghose, Mr. Keshav Prasad Goenka, Lala Gurusharan Lal, Mr. Satya Paul Virmani, Mr. Braj Mohan Birla, Mr.

R. R. Gupta, Mr. Shantilal Mangaldas, Mr. Ramanlal Lallubhai, Mr. Ambalal Himmatlal, Mr. K. L. Narasimha Rao, Mr. C. Ranganayakulu Chetty, Mr. Sankalchand G. Shah, Dr. L. C. Jariwala, Mr. M. P. Polson, Mr. D. N. Sen, Mr. B. C. Ghose, Rai Sahib Rama Prasad Gupta, Lala Balkrishna Das Khandelwal, Mr. Gajadhar Somani, Mr. Mulraj Pragji, Mr. Mangulal Trikamlal, Mr. Jayantilal M. Shah, Mr. Mohanlal A. Parikh, Mr. Gordhandas Jadavji, Mr. Hoshang N. E. Dinshaw, Mr. Isherdas N. Mallik, Mr. Haridas Lalji, Mr. Shri Ram Garga, Mr. Bansi Dhar Kasera, Mr. C. W. Erskine, Lala Baijnath Sayal, Mr. S. G. Chowdhury, Seth Lakshmi Narain Gadodia, Seth Naurang Rai, Lala Roopnarain Khanna, Lala Panna Lal Arora, Mr. Jugolkishore Somani, Rajratna Sheth G. D. Parikh, Rajmitra Sheth B. D. Amin, Mr. Chaturbhujdas Chimanlal, Mr. Anandlal Hiralal, Mr. Khimjee Shamjee, Mr. Nathubhai Cooverji, Mr. Devji Rattansey, Mr. Nandlal M. Bhuta, Mr. Sitaram Khemka, Mr. Madan Mohan Sarda, Sirdar P. S. Sodhbans, Mr. H. D. Mehta, Mr. V. V. Ramaswamy, Dr. H. Ghosh, Dr. K. A. Hamied, Mr. Hansraj Kapur, Mr. S. Bagchi, Mr. Brahma Datta, Mr. K. K. Nandi, Mr. Ramsaran Das, Mr. C. A. Buch, Mr. R. L. Nopany, Mr. Durgaprasad Khaitan, Lala Shankar Lall, Mr. L. N. Birla, Mr. Santoshchand Bararia, Mr. Hiranand P. Bhatia, Mr. Shivji V. Kothari, Mr. Lalji Mehrotra, Mr. Ramprasad Khandelwal, Rao Saheb Ganpatrao N. Madiman, Lala Shivshankerlal Burman, Mr. D. R. Naik, Mr. G. V. Puranik, Mr. V. K. Dhage, Mr. D. K. Dongare, Mr. B. S. Dabke, Mr. A. R. Bhat, Mr. G. R. Sathe, Mr. Ranjendra Singh Singhi, Mr. Kedarnath Agarwal, Mr. Kundanmal Mehta, Mr. Mangturam Jaipuria, Mr. Sunderlal Daga, M.L.A., Mr. P. L. Agarwal, Mr. Trikamlal Mahasukhlal, Mr. Shantilal Popatlal Shah, Sardar D. Inder Singh, Mr. S. M. Nauman, M.L.A., Honourable Mr. Abdool Razak Hajee Abdool Suttar, Mr. P. J. Shroff, Mr. J. J. Kapadia, Mr. Bulchand Thakurdas, Mr. Thakurdas Tuljaram, Mr. Lokumal Kishenchand, Mr. T. T. Krishnamachari, Mr. Balkishan Munjal, Mr. Diwan C. Mehra, Mr. Hansraj Sayal, Mr. Bhagwandas Mehra, Lala Hari Shankar Bagla, Mr. Shamji Mal, Rai Bahadur Pandit Balak Ram Pandya.

The following Secretaries were deputed by the Member-bodies to attend the Session :—

Mr. J. K. Mehta, Mr. K. M. Purkayastha, Mr. D. V. Kelkar, Mr. T. K. Santanam, Mr. Kanialal B. Modi, Mr. D. D. Nagori, Mr. S. D. Parikh, Mr. G. N. Raval, Mr. K. Shama Iyer, Mr. Chunilal V. Mody, Rai Sahib Lala Ram Pershad, Mr. T. M. Gurbaxani, Mr. A. C. Ramalingom, Mr. Mohamed Shaffi, Mr. R. M. Maitra, Mr. A. N. Dar, Mr. Ramanlal A. Jani, Mr. Anandi Lall Poddar, Mr. M. G. Desai, Mr. B. M. Trivedi, Rai Bahadur K. L. Gupta, Mr. S. J. Desai and Mr. D. G. Mulherkar (Secretary of the Federation).

The President, Mr. Amrit Lal Ojha, in opening the proceedings of the Fourteenth Annual Session of the Federation, delivered the following speech :—

GENTLEMEN,

I offer you a most cordial welcome to the Fourteenth Annual Session of the Federation of Indian Chambers of Commerce and Industry.

2. Since my predecessor addressed you in March last, a year of great anxiety and strain has passed with no prospects of the termination of the hostilities. On the contrary, during the later part of the year, these have extended to Africa, and there is every indication of their further extension to the Balkan States and the Middle East. As I will have another occasion to address you on international matters, I do not propose to refer to these events beyond expressing my admiration for the traditional bravery of the Indian troops engaged in Africa, who have contributed to the decisive victory which the Imperial Forces have scored over the Italians (hear, hear) ; the country can well be proud of the magnificent achievements of its sons on the field. My admiration, in no less degree, goes to those brave men, women and children of the United Kingdom, who are putting up a courageous and enduring fight for the survival of the British nation against the ruthless and barbarous onslaughts of the Luftwaffe (hear, hear). The morale of the civil population of the United Kingdom in face of the privations, misery and suffering which they are undergoing with faith and cheerfulness, is worthy of emulation by any country engaged in a life and death struggle, and to India, I am sure, it will be a source of inspiration in her present struggle (hear, hear).

3. The extension of the hostilities to the major part of the Continent of Europe and stricter application of the methods of economic warfare during the year adversely affected India's position as a country largely interested in the exports of her raw materials to foreign countries. The exports of primary products to continental markets suffered a heavy set-back, resulting in unusual accumulations of raw commodities such as, cotton, groundnuts, other

oilseeds, wool, etc., in the country. The consequential result of such a situation was bound to be reflected in the downward trend of the prices for these commodities. According to Government's own figures, which I am reproducing below, it will be seen that the prices of all the exportable raw materials recorded a fall from the prices which prevailed in the first quarter of the war year. (For table please see next page). Although in some cases, these prices are higher than those which prevailed in August, 1939, it must be remembered that the pre-war prices were hardly economical so far as agricultural commodities were concerned. There is every likelihood of the present position as regards prices still deteriorating in future with the new crops coming into the markets.

4. Apart from the closure of markets, the absence of shipping tonnage and the quota restrictions arising out of the methods of economic warfare, it must be said, with regret, that the attitude of His Majesty's Government has also not been very helpful in mitigating the effects of these factors on the agricultural economy of India. The British Government have followed a policy in case of India's raw produce different from the one they have been following with regard to the primary produce of South Africa, Australia and New Zealand and even of a non-Empire country like Egypt. With a view to help Egypt's agricutural economy, an agreement was entered into with the Egyptian Government, under which the British Government contracted to purchase the entire Egyptian cotton crop during the war and one year thereafter at prices considerably higher than of the crop bought during several recent years. If there is to be any loss on the transaction, it is to be borne by the British Government, while profits, if any, are to be equally shared between the two Governments, and the Egyptian share of the profits is to be utilised for the benefit of the Egyptian cotton cultivators. Similar agreements were entered into by the British Government with the Governments of South Africa, New Zealand and Australia in respect of the entire wool clips of these Dominions for the duration of the war and for one wool clip thereafter. The prices reported to have been offered, under these Agreements, are as high as 40 per cent over the pre-war prices. For example, for the 1939-40 South African wool clip, a price of 11.8*d.* per lb. was paid, compared to 8.3*d.* per lb. for the season preceding the war. Another important deal entered into by the British Government, in conjunction with the Governments of Canada and New Zealand, with some of the Dominions and Colonies, was with regard to the purchase of the entire exportable sugar crop of

—	1913—14	1928—29	1932—33	1939			1940						1941	
				August	Sept.	Dec.	Jan.	April	July	Oct.	Dec.	Jan.	Feb.
Jute Raw (Calcutta) Firsts 400 lbs.	85-8	74	26-4	38-4	41-8	92	80-8	68-8	42-0	32-0	37-0	36-8	32-8
Cotton (Raw) Broach (Bom) 784 lbs.	317	417	171-8	157	159	275	279	255	183	192	188	187	186
Linseed (Bold) Bombay per cwt.	8-2	10-11	5-13	7-2	7-2-6	10-12	10-4	9-14	7-4-6	7-2	6-15-6	6-8	6-5
Groundnuts (Madras) Machine 529 lbs.	46	60	—	28-10	30-6	30-2	29-7	33-10-7	24-8	24-2	20-4	19-8-8	19-4-10

Australia, Union of South Africa, Mauritius, Fiji and the British West Indies. This agreement involved a total quantity of about 18 lakhs of tons of sugar, and these sugar producing countries would be able to dispose of about 2 lakhs tons more than was the case under the International Sugar Agreement.

5. All these Agreements in respect of important primary produce of the Dominions and the Colonies, contributed largely in mitigating the difficulties arising out of the closure of the markets and the economic warfare to these parts. In contrast to this generous attitude of His Majesty's Government towards the Dominions and the Colonies, the attitude of the Government of India, on behalf of His Majesty's Government, has been far from satisfactory. India's agricultural economy, on which depends the living of the millions of her primary producers, has not received due consideration at the hands of the British Government. On the other hand, the policy followed in India in respect of the purchase of raw materials required for the prosecution of the war has resulted in depressing the prices of these articles, as compared to the prices offered for similar goods by His Majesty's Government in other parts of the Empire. A pertinent example is afforded by the purchasing policy adopted by the British Government towards the purchase of Indian wool. At the beginning of the war, exports of Indian wool were allowed only to the Liverpool Auction Rooms and were not allowed even to U. S. A. The prices of Indian wool reacted unfavourably to these restrictive measures, with the result that the British Government were able to purchase their requirements of wool in Indian market at appreciably lower prices. As a result of representations addressed by the interests concerned as well as by this Federation, exports to U. S. A. were subsequently allowed on quota basis in spite of increased demand from that country. Recently, exports to Liverpool market were also stopped. All these factors resulted in huge accumulations of stocks and in deterioration of the prices as compared to prices obtainable for similar quality of wool in America. In spite of repeated submissions from the wool interests to the Government of India to prevail upon His Majesty's Government to enter into an agreement similar to the one with South Africa and Australia as regards purchase of the entire Indian wool clip, no action has been taken as yet, and the trade as also the primary producers have continued to suffer. Another example which I would like to refer to is with regard to the purchase of groundnut and oilseeds for the requirements of the British Government. Groundnut, it must be remembered, is an important

exportable crop and used to be exported in substantial quantities to the various countries in Europe. The groundnut trade, therefore, was one of the first victims of the closure of the continental markets. His Majesty's Government, instead of utilising the Government of India as their purchasing agents, appointed independent agents for their purchases in India. While the British Government paid their agents £10 per ton for the purchase of Indian groundnut, the Indian sellers scarcely received £7-10 to £8 per ton, and I understand that the whole of the margin was pocketed by the purchasing agents of the British Government (cries of shame, shame). The growing disparity between the prices offered by His Majesty's Government and the prices at which Indian groundnut was sold was so apparent that the problem became very serious and would have resulted in a public scandal, had it not been for the commendable and prompt action taken by the Honourable the Commerce Member to the Government of India, and it must be said to his credit that under the new arrangement, the margin would be pooled into a fund for the benefit of the Indian cultivator. I am just giving these two examples to show how unsatisfactory has been the arrangement made by the British Government with regard to their purchases of raw materials in India and how it has not only resulted in depressing the prices of those commodities which are purchased but has also reacted on the whole price structure of raw commodities in this country.

6. With a view to consider and find out a solution of the problem arising out of the surplus of raw commodities, the Honourable the Commerce Member accepted the suggestion made by my predecessor, from this platform, last year, for the establishment of an Export Advisory Council. I would like to take this opportunity to compliment publicly Sir Ramaswami Mudaliar for accepting our suggestion for machinery to be brought into existence for ascertaining the difficulties of the produce trade and export trade interests, thereby creating direct contact between the Government of India and the commercial community on question primarily affecting both the producers and the manufacturers. Although it is not possible to secure immediate solution of the intricate question of utilising the surplus stocks of raw commodities in the country, I have no doubt, in course of time, the present unsatisfactory situation would be effectively remedied to the satisfaction of the primary producers in a manner which would give them some relief by way of greater return on their produce in the Indian market. I would like to make a suggestion towards the solution of this problem to

the effect that the Government of India should first make up their mind as to the extent of the financial assistance to which they are prepared to go, before inviting the various interests concerned to offer suggestions with regard to either holding stocks of these commodities in reserve and releasing them in the market, as and when necessary, or with regard to the utilisation of these commodities in the manufacture of new industrial products. The question of surplus commodities has really assumed serious proportions and failing a solution in the near future, the economic condition of the mass of people is bound to deteriorate and may even create some agrarian trouble. The question, therefore, demands immediate and serious consideration not only by the Government of India but also the commercial community and particularly the manufacturing interests in the country.

7. Another solution suggested in this connection is the introduction of alternate crops. I would hesitate to offer any comments on this proposal but it must be remembered that agriculturists would not welcome any such suggestion unless alternate crops which they are asked to grow, would bring them similar or better financial returns. It is, besides, very difficult to shift from one crop to another, as climatic and soil conditions sometimes may not be suitable for the proper cultivation of a particular alternate crop. It would, therefore, be advisable for the Government of India to investigate and ascertain the deficiency in the country of those food commodities which are consumed in their daily life by the people. It is essential, therefore, that the question of crop planning, should be actively pursued by Government before initiating any isolated action.

8. Apart from the proposals regarding alternate crops, I feel that one of the means of solution of this very serious question would lie in devising alternate uses for these raw materials for industrial purposes within the country. It has been suggested on more than one occasion in the past from various quarters that cotton, groundnut and oilseeds can be utilised for the manufacture of Rayon, Artificial silk, Margarine, Vegetable oils, Paints, Varnishes, etc. If proper efforts are made, both through governmental and private industrial enterprise, India would be in a position to manufacture the articles which used to be imported, before the War from other countries and in the process of the manufacture of which these very raw materials were utilised abroad.

Gentlemen, I must tell you at this stage that by the time I made this survey of the last year some days back I found lately that the position has undergone some change and is certainly better than what it was a few days back. I do not propose to offer any comments at this stage but I hope and trust that this improvement would be maintained.

9. For the purpose of investigating alternate uses for these raw materials and absorbing them within the country itself, the recent establishment of the Board of Industrial and Scientific Research by Government is a step in the right direction. It is fortunate that the Government of India were able to secure the services of Dr. Sir Shanti Swaroop Bhatnagar, a distinguished research scientist in India, as the Director of the Board. I wish that decision to institute such a Board was taken by Government immediately after the last war. The importance of the problem of industrial and scientific research was fully realised by the British Government and the British industrialists, and, in the midst of the 1914-18 war, a permanent official organisation was started in July, 1915, under the name of the Department of Scientific and Industrial research, with a view to promote scientific and industrial research and the application of science to the solution of industrial problems and to the development of new products as well as of new and improved processes of manufacture. His Majesty's Government placed at the disposal of this Department a fund of £1 million Sterling, with a view to bring into existence, with the help of Government aid and of the voluntary co-operative associations, a number of co-operative research associations for the purpose of carrying on researches on questions of vital importance to British industries. At present there are more than twenty-six research associations working in the United Kingdom and conducting very useful researches in consultation with the manufacturing interests. The lines on which these various associations are working are necessarily of a different character, and the inquiries undertaken relate to researches in highly developed industries which have to face intense competition in international markets. In India, our industries have not yet reached that stage where researches of a highly technical character could be undertaken by the Board; on the other hand, we require an entirely different policy to be followed by the newly created Organisation to meet problems such as the fuller utilisation of our raw materials and diversification of industrial production, with a view to secure self-sufficiency in some of the country's requirements of imported articles. I think

it is necessary to put the existing Board on a permanent basis, with larger finances made available to it for undertaking problems of both immediate and long range importance.

10. I am glad to find that, within the course of a year's existence, the Board has been able to achieve some results in their research investigations which they are now anxious to allow the industrial interests to utilise as commercial propositions. Although I approve of the recent establishment of the Industrial Research Utilisation Committee for this purpose, it seems to me to be rather an unwieldy body. I, for my part, would have much preferred to have a smaller group of eminent Indians interested in the industrial development of the country and representative of Indian commercial and industrial organisations, to advise Government as to the terms on which the results of the Scientific and Industrial Research Board should be made available to the public.

11. With regard to the work of the Utilisation Committee, I would like to utter a word of caution that, in making these results available to the public, the nationals of the country should have the first right of refusal so as to realise the fundamental object of a policy of national industrial development. In fact, a stipulation exists in the United Kingdom whereby the Department of Scientific and Industrial Research reserve to themselves "the right to veto the communication of the results of the research to a foreign person or foreign Corporation", and I trust a similar principle would be laid down by the Utilisation Committee in the disposal of grants and rights to utilise the researches.

12. In the midst of the difficulties created by the accumulation of stocks of raw commodities, a relieving feature which would lessen the difficulties of this country, during the duration of the war, is the magnitude of the war orders placed on behalf of His Majesty's Government and other allied Governments for the purchase of arms, ammunition and other war supplies required for the prosecution of the war. These orders are of the value of about Rs. 83 crores and have been responsible, to a large extent for giving a fillip to some of the indigenous industries which were experiencing serious difficulties in the pre-war period. While I recognise that these orders have come as a relief to the country in an otherwise depressing period, it does not compensate, as was contended by the Honourable the Finance Member in presenting the Budget Proposals, the Indian primary producer for the loss of his old Continental and traditional markets. It must be remembered that

industrial enterprise in India is responsible for the employment of scarcely 10 per cent of the Indian population, while more than 65 per cent is dependent, for its living, upon the disposal of primary produce. As Indian economy is mainly based on the disposal of the country's primary produce the economic condition of the masses is dependent upon the prices which the country receives for its raw commodities. The placing of orders for the supply of raw materials has not materially improved the price level of the raw commodities and, consequently, the financial standing of producer has practically remained at the level where it was in the pre-war period. The Honourable the Finance Member himself admits that while, immediately after the war, the price level increased by 40 points, it has receded back, during the current year, to a level which is only 15 per cent higher than what it was at the beginning of the war. As I have indicated above, by a reference to the prices for India's main staple commodities, the primary producer has not gained as a result of the war orders placed by His Majesty's Government and other allied Governments. In fact, it must be remembered that the prices prevalent immediately before the war were themselves bordering on the depression level and do not constitute a proper criterion to judge the present prices. Moreover, it cannot be said that the rise in exports, which mainly represents manufactured articles, would compensate the country for the loss which it has suffered by the closure of the continental markets because, while the closure of these markets affected the price structure of the primary commodities, the depressing influence has not been counteracted by the increase of India's exports in manufactured articles. It would also be not fair for either the Honourable the Member for Communications or the Honourable the Finance Member to bring out, in support of their contention, the fact that there has been an increase in railway traffic and postal receipts and this can be taken as a sufficient indication to reflect an improvement in the general economic conditions in India over pre-war conditions. In normal times, these factors may be accepted as an indication to gauge the economic condition of a country but in times of war, they cannot be relied upon as a true pointer to the prosperity of a country. It is well-known that the increase in Railway receipts is mainly due to the increased war traffic and the enhancement of railway rates and fares which in itself is an indirect form of taxation on the people. As regards the postal receipts, the Honourable the Finance Member has himself admitted in his speech that the "large revenue is almost wholly due to the effect of the increases in rates" and that the Government traffic has contributed substantially to the postal surpluses. There are a number of other circumstances such as, diminution in the motor transport facilities, necessity for resorting to telegraphic and cable communications for quick despatch of work, which have contributed to the greater yield of receipts under the Railways and the Postal Department and there is no reason; I think, why these receipts should be pointed as an evidence of improvement in the economic conditions in the country.

13. As a result of the multifarious activities of the Supply Department of the Government of India, which has been responsible for the purchase of stores worth about Rs. 83 crores, the Government of India must have come in possession of very important information relating to the capacity, existing and potential, of the various indigenous industries to cater for war requirements. The Supply Department must have also come in possession of information, during the course of their investigations and enquiries, as to what articles could be manufactured in the country and what possibilities were there for the development of the existing industries and for the establishment of new ones, provided sufficient patronage by way of guaranteed orders was assured to such enterprises. I would, therefore, like to suggest that the Government of India should fully utilise all such information to the country's advantage. I am afraid this would not be possible with the existing machinery of the Government and for that purpose, a small Body composed of eminent Indian industrialists and Indian public men should be constituted into an Industrial Reconstruction Council to utilise all the material and information so far collected by the Supply Department during the last 18 months of its existence, with a view to evolve an immediate plan for either suitably expanding the present enterprises or creating new ones. The situation which Indian Industries will have to face after the termination of the present war would be serious enough to demand immediate consideration of this proposal in the interest not only of Indian industries but also of India's primary producers. The British Government have already appointed Sir Charles Innes, a former Commerce Member of the Government of India, to advise them and the British industries with regard to the industrial reconstruction in the United Kingdom after the war. I trust the Government of India would take immediate steps to bring into existence some such suitable machinery similar to the one recently provided for by the British Government to undertake investigations with regard to

industrial reconstruction in the post-war period, and I am sure the Government would be doing something very helpful towards the solution of the problem of the utilisation of indigenous raw materials and towards diversifying India's industrial production after the war. Even with the best of wishes which the present Indian Commerce Member has towards the country's industrialisation, it would not be an easy task for an individual industrialist to take the necessary initiative in this direction. If India is to equip herself to face the post-war situation, then the establishment of a Council, as suggested above, would be an essential measure. As new channels for trade and new markets would be developed during the war, it is necessary that careful consideration should be paid to these problems from now.

14. The day-to-day urgencies of the war production and supplies felt by His Majesty's Government necessitated the holding of a Conference of the countries of the Eastern Group, with a view to pool their resources for the prosecution of the war and the Government of India were instrumental in calling such a Conference on behalf of His Majesty's Government in October last. India, no doubt, occupies a place of strategic importance in the British Empire, but I am sorry to say that this position has not been fully utilised by His Majesty's Government in equipping themselves for the successful prosecution of the war. The holding of the Eastern Group Conference naturally, therefore, raised high expectations in India as regards possible expansion of her present industries so very essential for a protracted war. The procedure which the Government of India adopted in associating commercial opinion by appointment of non-official advisers was not very happy and I am speaking from personal experience when I say that closer association was possible which would have produced confidence in the public mind and which would have accelerated the pace of India's war effort. On the contrary, I feel there is a genuine feeling of apprehension, in the absence of any knowledge regarding the conclusions reached at the Conference as regards the establishment and development of industries in India. The public is also in the dark as regards the functions and working of the newly established Eastern Group Council, and they would like to be enlightened whether the new Council is to direct the whole policy of the war purchases by His Majesty's Government in the Eastern part of the Empire, whether it would be competent to direct the placing of orders with a particular country so as to encourage the establishment of any Defence industries and whether it would be competent to

advise the Governments of any of the Eastern Group countries to allow the use of foreign capital for the starting of such Defence industries. It is necessary, therefore, that the Government of India should remove all such apprehensions from the public mind on these questions. It will be still further helpful in removing public misgivings if the Government would give an assurance that India's economic interests would not be compromised or jeopardised by any of the decisions of the Eastern Group Council and India would not be precluded from establishing or developing any industries, particularly key and engineering industries in the country. I would further like to utter a word of caution that the Government of India should not agree to the creation of new vested interests under the control of non-Indians which are sure to be prejudicial to India's economic interests.

15. While on the question of the establishment of Defence industries, I welcome the recent establishment of the Air-craft Factory at Bangalore and I am sure the Indian commercial community will appreciate if I take this opportunity of paying their tribute to the perseverance and tenacity of purpose with which Mr. Walchand Hirachand carried on his endeavours (cheers) in bringing this industry into existence. The efforts of the Government of India in identifying themselves with the country's aspirations to establish this important Defence industry and prevailing upon His Majesty's Government to allow these efforts to fructify, deserve felicitations from the commercial community. I only wish that their attitude had been similarly helpful towards the establishment of a Shipbuilding Yard at Calcutta. In the absence of any encouragement at the hands of the Calcutta Port Commissioners, the project pioneered by the Scindia Steam Navigation Company Limited for constructing a Shipbuilding Yard at Calcutta had to be given up and it had to be shifted to Vizagapatam. I hope both these ventures will be successful in due course and India will have a fully developed aircraft industry both for military and civil purposes as also a national shipbuilding industry on a scale large enough to meet the requirements of her large maritime trade and vast coastline. In fact the commercial community has felt since a long time that had India possessed an adequate mercantile marine of her own, the acute difficulties about shortage of tonnage which has been one of the main causes for blocking up of large quantities of exportable goods even for the accessible markets could well have been avoided and the Indian primary producer would have been able to secure an appreciably higher price for his goods. A national mercantile

marine apart from serving the needs of the large export trade of the country could have been extremely useful also as India's second line of defence. I trust the Government of India would realise the precarious position especially for the export trade of the country, created by the absence of a national mercantile fleet and take all measures necessary to encourage national shipping.

16. The Government of India, as you must be aware, have already announced their policy of encouraging the establishment of such industries in the country as are helpful in furthering their war efforts. They have announced that these industries would not be left high and dry after the termination of the war. I would, emphasise that this policy of protection and encouragement should be extended also to such other industries as have been established to meet the needs and requirements of the people of the country, particularly owing to the restricted imports from foreign countries. The Government can encourage these industries either through protective duties or grant of subsidies or purchases on behalf of Government departments or in other suitable manner. I need hardly point out the necessity of encouraging particular capital industries like those for manufacture of machinery and machine tools, heavy chemicals, etc. But it would be essential, in pursuing a liberal policy of encouragement of industries, that the rigid criteria for grant of protection laid down by the Indian Fiscal Commission should be completely revised. It is recognised on all hands that the conditions prevalent when the Fiscal Commission reported 20 years ago have entirely changed and it is surprising that when the Governments of various countries are adopting new policies of encouraging their industries and making their countries self-sufficient in their vital needs the Government of India should still adhere to the policy of discriminating protection enunciated nearly twenty years ago. I would suggest therefore, that the Government should immediately set up suitable machinery which would deal expeditiously and sympathetically with claims of industries for protection. It is also necessary that such industries as are protected or encouraged by the Government or by the public as Swadeshi industries should in their turn realise their reciprocal obligations and encourage other Indian industries by purchasing their own requirements from them.

17. Although the Secretary of State for India has ranked this country amongst the highly industrialised countries of the world, we are all aware that large masses of the people in the country

depend entirely upon agriculture for their living and the export of raw materials is the mainstay of the economy of the country.

18. The per-capita consumption of coal in India in the year 1936 was .1 metric ton as compared to 3.5 to 3.9 metric tons per person per year in Great Britain, the United States and Belgium. Germany and Canada form the next highest consumption group at a level just below 2.5 tons. It need hardly be pointed out that the differences in consumption are due mainly to differences in the extent of industrialisation. The very fact that a largely populated country like India has to face the problem of surplus coal shows the dearth of industrialisation in the country. While referring to the coal industry, I may point out that if industries are properly developed in India by laying down a well planned policy of industrialisation for the country, the coal resources of the country would play a vital role in supplying the needs of these industries. In the absence of such a policy we find the coal industry of the country experiencing practically a continuous slump and it cannot be foreseen what the position of the industry will be on the termination of the war. It is unfortunate that an important key industry like coal has been in such a precarious condition for a number of years. The problems of the industry are many and it is very essential that they should be properly investigated without delay.

19. The question of industrialisation brings us to the serious problem of unemployment of middle class young men in the country which has been engaging the attention of the Provincial Governments, Universities and public men in the country since a long time. The proper remedy of the problem lies in pursuing a definite policy of industrialisation of the country. It is industrialisation alone which can absorb these thousands of qualified young men brought out by the Universities of the country. Some of the Universities have also technological institutions attached to them and the young men who receive this training would prove especially useful to the country in these days. The necessity of having a well qualified trained technical personnel for the industries of the country is obvious especially at the present time when we find some of the vital industries of the country so largely dependent on them.

20. India's war efforts in supplying the war requirements of His Majesty's Government have brought in their wake substantial sterling resources to the credit of India and in the hands of the Reserve Bank. I am glad the Government of India have taken a correct decision in terminating the present contracts of the three

Company-managed railways, viz., the B. B. & C. I., Assam Bengal and Tapti Valley Railways, and bringing them under the direct control of the Government of India. I would like, in this connection, to refer to the statement made by Sir Andrew Clow, the Communications Member, that the Government in purchasing these railways had not accepted the policy of substituting State management in place of the company management and that they had taken the decision in respect of these railways on their own merits. While welcoming the Government's decision, to purchase these Railways which shows deference to public opinion, I do not see why the Government of India should not accept this as their policy and determine the contracts of all the company-managed railways whenever they become due. It would facilitate laying down of a uniform policy and Government would be in a position to offer better and cheaper transport facilities if all the railway systems are controlled and co-ordinated under one authority.

21. The reference to the control of these lines reminds me of another welcome decision taken by Government in purchasing the Bengal, Bombay and Madras Telephone Companies, licences of which expire in 1943, at a cost of Rs. 475 lakhs. It is a decision, which, I am sure, would be welcomed by the public and I hope it would be possible for the Government of India to make available to the public still cheaper telephone services at these centres.

22. The recent decision taken by the Government of India in repatriating India's terminable Sterling Loan to the extent of Rs. 120 crores has decreased India's foreign liability to that extent and has been further helpful to His Majesty's Government in financing the prosecution of the war in so far as a greater part of the sums so disbursed would be re-lent to His Majesty's Government, probably in the form of investment in the Defence Loans. It is a distinct service which India has rendered to His Majesty's Government in facilitating their wartime problems.

23. In this connection, I should like to point out that the total gold exports from India during the last year amounted to over Rs. 34 crores. It has been repeatedly urged on Government that they should seize every opportunity to purchase gold offered for export, with a view to strengthen the currency gold reserves of the Reserve Bank.

24. The immediate need for His Majesty's Government for gold and dollar resources was so great that they had to ask the

Government of India to commandeer all the dollar securities held by Indians both in British India and Indian States for their use. The country was surprised to see that His Majesty's Government should have gone to the extreme limit of commandeering India's dollar resources without giving any thought to the enormous loss which the holders of these securities would be put to by their disposal at the present juncture. These securities, the extent of which it is not possible for me or the commercial community to gauge, would have been a source of strength in our dealings with the United States of America in the post-war period of industrial reconstruction. I hope His Majesty's Government would consider it a moral obligation to make available to this country foreign resources whenever required, during the currency of the war, to the extent to which they have deprived the country of these resources. I am sure India will be in dire necessity of foreign exchange for establishing or expanding her industries in near future.

25. While criticising the Government of India's policy with regard to the disposal of the sterling resources, as also with regard to the commandeering of the dollar securities, I should like to offer some remarks on the Taxation policy of the Government of India. Since the outbreak of the war, during the past one year and a half, the Government of India have been finding out new avenues for taxing the country's resources without any regard for their repercussions on the taxable capacity of the general public and on the trade and industry of the country. In spite of our repeated protests, Government have increased Excise duties, Railway freight rates, introduced new measures of taxation such as, Excess Profits Tax and have increased the rates of taxes on income and postal and Trunk Telephone rates. In overhauling the Income-tax Act, they have introduced new methods under which less relief is granted to the industry in the assessment of its income. I apprehend the cumulative effect of all these measures would be to seriously affect the whole agricultural and industrial structure of India. As an illustration, I may point out that against a yield of Rs. 15.8 crores by the Government of India in 1938-39 from taxes on income, under the new rates, they expect to get more than Rs. 40 crores in the year 1941-42, normal taxation under this head practically being doubled during the period. The following figures would corroborate my statement :—

Figures relating to Corporation tax and Taxes on Income for the last four years.

	Accounts.	*Accounts.*	*Estimates.*	*Estimates.*
	1938-39.	1939-40.	1940-41.	1941-42.
Corporation tax ..	2,03	2,38	4,47	12,62
Income-tax, Super tax, E. P. T. other than Corporation tax	13,74	16,99	20,50	27,46
	15,77	19,37	24,97	40,08

26. As nearly 90 per cent of the income arising under this head is derived from trade and industry in the country, I would leave it to you to judge the extent of injury which is likely to result to the financial stamina of the indigenous industries. Nobody would dispute the fact that after the war, Indian industries would have to face severe competition from foreign countries. If these industries are not allowed to build up any reserves for such a contingency arising in the post-war period, the industrial development, to which the war orders have given an impetus, would receive a serious set-back. I am sorry to say that the Honourable the Finance Member has not realised the enormity of the burden which he is asking the industries to bear during the war.

27. As the imposition of these taxes was necessitated by the huge expenditure which the Government of India were called upon to incur to mechanise and equip the Indian Land, Naval and Air Forces in accordance with modern requirements, the public is entitled to be assured that the substantial amounts that are being spent on this account are correctly debitable to this country and that no avoidable waste is incurred in the purchase of stores and equipment. In the absence of any popular control on military expenditure, there is an insistent demand that the Government of India should allay all public apprehensions in this regard by constituting a small Supervising Commission consisting of distinguished Indian public men with the necessary powers to advise Government with regard to their military expenditure and thus to check unauthorised expenditure or wrong debits to India and to see that the policy of the Government of India with regard to their military purchases reacts favourably on the expansion and development of Indian industries. I would like to point out further that when His Majesty's Government appointed the Chatfield Committee, in the

terms of reference, they distinctly admitted that it would not be possible for India, with her limited resources for defence expenditure, to undertake increased cost of modern armaments and to equip and maintain the forces in India in accordance with modern requirements. According to the Chatfield Committee's recommendations, the total net capital cost for the purpose of modernising the Indian forces was estimated at Rs. 45 crores, and the Committee made it clear that "in their view, the funds required to meet this capital expenditure could not be found out of the resources available in India." In accepting this recommendation of the Committee, His Majesty's Government, in fact, admitted that India would not be in a position to bear such a heavy expenditure required for modernising her defence forces, and they, therefore, decided to seek the authority of the Parliament to provide three-fourths of this amount, that is, Rs. 34 crores, "as a free gift", while about Rs. 11 crores were to be advanced by way of a loan. Under the Chatfield Committee's programme, the whole of the amount of Rs. 45 crores was to be spread over a period of five years, while the necessities of the war forced the Government of India to decide to carry out the Chatfield Committee's recommendations within a period of three years, and the Indian taxpayer, who is admittedly poor, compared to the taxpayer either in the United Kingdom, Canada, Australia or New Zealand, has been called upon to bear heavy burdens disproportionate to his income. In financing such huge capital expenditure, it is unfortunate that the Honourable the Finance Member should resort to measures of taxation which would directly affect the financial standing of the indigenous industries in years to come, instead of meeting such expenditure by a programme of borrowings on a reasonable scale. I would not like to go into a detailed analysis of the per capita income and the taxable capacity of the Indian taxpayer, compared to the one in either the United Kingdom or the Dominions, but would content myself with the reproduction of the following extract from a recent study on *The Conditions of Economic Progress* by Mr. Collin Clark, based on very instructive and informative data about comparative average real income per worker in some of the important countries in the world. According to his calculations—

> "A standard of living of 1,000 International Units* per worker per year or more is found only in U. S. A., Canada,

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* An 'International Unit' is defined as the amount of goods and services which could be purchased for one Dollar in the United States over the average of the decade 1925-34 or an amount interchangeable with them.

> Australia, New Zealand, Argentine, Great Britain and Switzerland, containing between them 10 per cent of the world's population, while about 53 per cent of the world's population including the whole population of India and China enjoys a real income per head of less than 200 'International Units'. Average real income per bread-earner in China and India is about 120 and 200 'International Units' respectively."

28. Whatever formula or whatever process of analysis we may adopt, we come to the undisputed fact that India's taxable capacity, measured in terms of her per capital income, is far below the capacity of the taxpayer in the United Kingdom or in any of the Dominions, and those who are in day-to-day contact with trade and industrial interests have every ground to feel grave concern about the adverse results of the present taxation programme of the Government of India on the competitive strength of the Indian industries in the post-war period. I trust that the Government would seriously reconsider the whole situation and revise their taxation policy during the currency of the war and would not allow the economic structure of this country to be imperilled.

29. As a result of the situation developing on the Indian Frontiers owing to the extension of hostilities to Africa and their likely extension to the Balkan States, a new liability was placed by the Government of India on the holders of stocks of agricultural produce and manufactures in the form of a levy of War Risk Insurance chargeable at the rate of $\frac{1}{2}$ anna per hundred rupees on the value of stocks held. It is rather premature at this stage of the war to forecast whether the country would be faced with any danger of risks arising out of hostile acts by the enemy, but in case such eventuality does not occur till the termination of the war, I would suggest to Government that the amounts received under this scheme, which are at present credited to a separate fund, should, under no circumstances, be merged into the general revenues of the Central Government. It is clearly a charge which is ultimately paid as a premium against losses by the primary producers at great cost to themselves and no decision should be taken by Government in this regard until normal times prevail after the termination of the war. The Government should also consider whether it would be advisable to reduce the rate of premium in view of the remoteness of any risk arising on India's Frontiers during the present hostilities.

Gentlemen, I may tell you here, as all of you are aware, that when our feelings are so injured and I think you all share the feeling, the Government of India without consulting the commercial and industrial interests have already doubled the War Insurance Premium and let me hope they will seriously reconsider over the situation and will take steps to help us in the manner we have suggested and they will certainly reduce it and consult the commercial opinion in the matter.

30. I would point out here that in the matter of legislation, the Government of India have taken a welcome step in the midst of their preoccupations, in putting on the statute book an Amending Bill, revising the Indian Merchandise Marks Act in a manner helpful to India's manufacturing interests.

31. I must refer here to another important step which the Government of India have taken in the administrative sphere and that is the raising of the status of the present Agent of the Governor-General in South Africa to that of the High Commissioner. Under the new arrangement, the Government of India would be now in direct diplomatic communications with the Government of the Union of South Africa instead of through the Secretary of State for India in London. I would further suggest that it is necessary to have a similar representative of the Government of India with the Government of Burma, and the present post of the Government of India's Agent should be converted into that of the High Commissioner for India in Burma. The magnitude of the trade and the complexities of the issues involved with regard to the status and safety of Indians and their property in Burma, as also with regard to emigration, require the creation of such a post. The commercial community is also glad to note the recent action of the Government of India in creating a Trade Commissioner's post in Australia, and appointing an Indian to it. Similar Trade Commissioners, as you must be aware, are also proposed to be appointed for Canada, South America and South Africa. I trust that Government would appoint more Trade Commissioners in important neighbouring countries such as, Iran, Afghanistan and New Zealand, where India's manufactured articles await development of further export markets. It has been recognised that the policy of appointing Indians on these posts has proved very successful as Indian Trade Commissioners have always performed their duties with dignity and understanding. I hope the Government would make it a policy of appointing Indians as the Trade Com-

missioners in various countries and that the choice would not be confined merely to members of the Civil Service or other officials as at present but non-officials having intimate knowledge of Indian trade and industrial conditions should also be appointed as Trade Commissioners.

32. The position of our countrymen overseas in the Dominions and in the British Colonial Empire did not improve during the year under review ; on the contrary, our relations with Ceylon were far from being happy. The Report, submitted by the Government of India to the Central Legislature regarding the Exploratory Conference between them and the Ministers from Ceylon, fully brings out the fundamental differences in the outlook of the two Governments towards this question. While the country fully supports the attitude adopted by the Government of India on such a vital question, it is deplorable that the Ceylonese Ministers could not agree to a very reasonable proposal put forward by the Government of India that full citizenship should be conferred on all Indians who could furnish proof (*a*) of five years' residence in Ceylon and (*b*) of a permanent interest in Ceylon. It is still more deplorable that the attitude of the Ministers towards Indians—who have been responsible for the economic prosperity of that Island—should be constitutionally untenable and should call for intervention by the Governor of Ceylon.

33. As the Indo-Burma Trade Negotiations are proceeding, I do not wish to say anything about it at this stage. I would, however, like to emphasise that even in the course of these negotiations the Government should safeguard to the fullest extent possible the legitimate rights and interests of Indians in Burma and their status as citizens. I hope the question of immigration of Indians into Burma will form a part of the general settlement of all questions outstanding between the two countries. I would appeal to the Burma Government Delegation to adopt an attitude during these negotiations which would be helpful in arriving at an amicable settlement between our two neighbouring countries which have lived together for generations in peace and harmony and I would express the hope that the Trade Agreement would be in our mutual interest.

34. I may mention that whenever we have had occasions to come into contact with Members of the Council of His Excellency the Viceroy, we have marked their anxiety to understand the difficulties of trade and industry and appreciate their viewpoint as

far as possible (hear, hear). As we have naturally more opportunities to meet the Honourable the Commerce Member in connection with various commercial and industrial matters, we are in a better position to know his desire to acquaint himself with our problems and assist us and remedy our grievances. This personal attitude of courtesy and helpfulness is, however, in sharp contrast with the attitude which certain departments of the Government have from time to time shown in regard to certain communications and representations submitted by the Federation of Indian Chambers. The Federation of Indian Chambers, I need hardly point out, as a representative body of Indian commercial opinion in the whole country, voices the demands and grievances of Indian trade, commerce and industries. Situated as we are *vis-a-vis* the Government of India and the British Government, it is an additional obligation on the Federation to give a lead in commercial and economic matters in the country and enlighten the public, especially the commercial community about their various problems. I hope, therefore, the Government on their part will fully appreciate the position and functions of the Federation and radically change their attitude in this respect.

35. Before I conclude, I cannot help referring to the political stalemate in the country. It is really a tragedy that India and England are gradually drifting apart and even in an hour of life and death struggle against the Fascist States, British statesmanship is still not prepared to change its policy and attitude towards India so as to recognise India's aspirations and clarify Britain's own war aims in their application to India. I am afraid the last August offer of His Excellency the Viceroy, instead of satisfying public opinion, has definitely antagonised it and subsequent declarations of the Secretary of State have done nothing to win over Indian public opinion. Leaving alone the question of extension of the Executive Council, the Government have done nothing to take the representatives of the Indian public and the commercial community into confidence in regard to their war efforts and defence policy. This policy, I am constrained to say, is also illustrated in respect of their conduct of administration with regard to important key departments such as Defence and Supply, their refusal to accelerate the policy of Indianisation of Defence and Civil Services, and their action in importing non-Indians for sesvices even from the Colonies and the Dominions. This has created a feeling that while Britain wants India to help her in her hour of need, she is not herself

prepared to reciprocate by any tangible action (hear, hear). That such a feeling is shared by even moderate political opinion in the country is evident from the following extract from the recent statement issued in reply to a message to India from Members of the Parliament by certain prominent Indian Liberals :—

> " How can India, which is not assured of her future freedom, forget her humiliating position and work enthusiastically for the freedom of England and other nations ? "

British statesmanship, I must candidly say, has failed to inspire any confidence in the minds of the Indian public about its intentions towards India, and if genuine efforts are not made by His Majesty's Government to solve the Indian problem it would lead to grave reactions on Indo-British relationship and prejudicially affect the interests of Britain and the British Commonwealth itself. If India has to bear the burden and obligations of a component unit of the British Commonwealth she is surely entitled to demand and insist that the rights and powers enjoyed by the other Dominions should be vested in her. The demand for self-government amounts in the ultimate analysis to the demand for the right to control our own destiny and frame our own policy, social, economic and political in the interests of the country. The need for a transitional arrangement is denied by no responsible person but it is essential that this process should be speedy and automatic. In all earnestness I would, therefore, impress upon His Excellency the Viceroy the imperative necessity of taking immediate steps to end the present constitutional deadlock by responding to the demand for the establishment of national Government at the centre pending the final settlement of the wider constitutional problems. I am confident that such a declaration alone can solve the present deadlock, and I trust His Excellency will appreciate the gravity of the situation and take immediate steps to bring about a change of atmosphere.

Gentlemen, I thank you one and all. Before we proceed with our business I would like to take this opportunity to thank all our guests—particularly the gentlemen from Australia and Burma and others—for the trouble taken by them in coming over here and attending today's session.

President : Gentlemen, with your permission, I shall proceed with the Agenda of the Annual Session. The next item is the adoption of the Annual Report and the Statement of Accounts for the year 1940. These have been circulated to Member-Bodies and to you all. I move that these be adopted. If any delegate wants to enquire or offer any remarks, he is welcome to do so.

Mr. J. J. Kapadia: Mr. President, with your permission, I rise to seek elucidation on certain of the points contained in the Report. Item 16, at page 10, the last sentence runs, "On a reply being received from the Commerce Department expressing its inability to accede to the request of the Committee, the President has taken up the matter on behalf of the Committee with the Hon'ble the Commerce Member." May I know what the reply of the Government of India is on the point ?

President: I may tell you that no reply has yet been received though we have sent two reminders.

Mr. Kapadia: Then, Sir, item 33 at page 27 refers to certain correspondence between the Federation and the Government of India in which the Government took exception to the Federation publishing some of its representations to the Government. May I know what the end of the controversy has been ?

President: The controversy stands where it was. Government have not sent any reply in the matter.

Mr. Kapadia: No, Sir, you have not specifically replied to it. You have just made a statement that the position of the Government of India *vis-a-vis* the Federation requires no change. You did not refer to this particular point. That is why I asked for information. May I know whether the Federation is now sending for publication these representations to Government before receiving the Government's replies ?

President: Whenever we do so, we send the communication for publication after it has reached the Government Department or the authorities concerned.

Mr. Kapadia: Regarding the Bruce Committee, item 26, page 21, we suggested to Government that the Government of India should insist on a permanent seat for India on the Central Committee. What was the Government's reply ?

President: We have received a reply from the Legislative Department that they have noted what we have stated. No further reply has been received.

Mr. Kapadia: May I, Sir, in this connection suggest that whenever the Federation sends any representations to Government and replies are received, those replies should also be noted under the relevant paragraph so as to avoid enquiries from members like me ?

President: In this case it is kept like this, because the reply we received was, a mere acknowledgment.

Mr. Kapadia: Whatever it is, the Committee or Federation should kindly see that whenever a reply has been received, mention should be made to that effect. Then, Sir, regarding Public Utility Companies it is said at page 67 :—

> "The Committee welcome the proposals to purchase the Telephone Companies from their existing private owners and also are glad to note the announcement of the Hon'ble the Railway Member to terminate the contracts and to purchase the three Company Railways, as they meet the demand consistently put forward by the commercial community that the Public Utility Companies should be controlled and owned by the State."

May I know whether these Public Utility Companies cover also electrical undertakings ?

President: No, I do not think so.

Mr. Kapadia: The wording of this paragraph gives the impression that electrical undertakings also are included under Public Utility Companies, whereas the intention of the Federation was to refer to Public Utility Companies like telegraph, telephone and railway companies. It is necessary that the Federation should make it absolutely clear that electrical undertakings are not covered.

President: As this paragraph was drafted by the Committee, I do not think I can do anything. It is for the Committee to consider that.

Mr. Kapadia: Then will you kindly put that point before the Committee ? In the meantime, may I accept your assurance that so far as you are concerned, the expression Public Utility Companies does not cover electrical undertakings ?

President: You may take that assurance from me.

Mr. Kapadia: Then I go to the Accounts. I find that on the 31st December 1940 you had very large amounts—up to fifty thousand and odd remaining uninvested cash in hand. It may be that some deposits matured on 31st December and they may not have been invested. But as we did not invest such large sums I seek information on that point. We find that we are not in a position to meet our expenses and if we employ the moneys of the Federation in a manner which might bring us a little interest, we would be relieving our financial position to that extent.

President: I quite agree with you, and I may tell you that the first opportunity was taken after the money came in to take a decision and the decision has been taken to invest it. In the meantime I could not take the responsibility of investing it in view of the uncertain conditions in the market and that is why for some time it was left uninvested.

Mr. Kapadia: Can you, Sir, give an idea as to how long this money remained uninvested.

President: . .I will give you that information.

Mr. Kapadia: We now go to the Income and Expenditure Account. The item to which I refer is a very small one, but it is one of principle. May I know whether it is the practice of the Federation to supply Government publications to Member-bodies free of charge.

President: Some publications like the Finance Bill issued by the Government, we had to buy and supply to Member-bodies free of charge.

Mr. Kapadia: Can you enlighten me on the nature of those publications which were supplied free ?

President: Publications like Budget Proposals of the Government of India, Excess Profits Tax Bill, etc.; copies of such publications are supplied to Member-bodies free of charge.

Mr. Dhage: Is it the practice to supply it free to every Member-body ?

President: Yes ; it is supplied to every Member-body.

Mr. K. N. Narasimha Rao: In supporting the motion for the adoption of the Report, I enter a formal protest against the manner in which the constitution of the Federation is working. This Federation of business people is functioning in a most unbusinesslike manner. For the first time we are trying to stabilise the finances of the Federation. That is good. But subscriptions alone cannot run a deliberative body smoothly. Besides donations, public subscriptions are also necessary, and in this respect our friend Sir Shri Ram has set an excellent example by giving away a building for the permanent housing of our Federation. In that way our other industrial magnates also may donate and then we can have improved finances ; and we can have a staff which can function efficiently in view of the better prospects, security of service, etc., they can have.

Regarding the constitution, my Chamber has been sending resolutions year after year which were merely published and kept aside. I feel that we in South India, though we are proud to be members of the Federation do not get sufficient representation on the Committee. We come all the way from the south after journeys of 2 to 3 days. In the presence of the big wigs from Northern India we are nowhere. I urge that we should be given more representation if possible.

President : Constitutional amendments cannot be proposed now. You may write to us about that matter.

Mr. Narasimha Rao : I mention this because all are assembled here, and when it comes as a subject before the Committee it may be dealt with, with proper sympathy.

Our Chamber sends resolutions year after year which mostly go to the waste-paper basket. If the Committee think that our resolutions are important, then why not ask the Member-bodies to send resolutions on certain subjects ? At present they ask for resolutions within 21 days. Even then the members have not got a real right to discuss them. It is a most unhappy constitution under which we are working. One has merely to support or oppose a resolution.

President : I am sorry you are raising too many questions.

Mr. Narasimha Rao : In that case, if you want to shut out a Body, we can have time limit for speeches.

President : I am afraid I will have to do that.

Mr. Narasimha Rao : The resolutions, in my opinion, do not really deal with fundamental issues. For instance, regarding the dollar securities, it is nothing but expropriation. They are expropriating the holder and in such cases should not the Federation of Indian Chambers take action (hear, hear) ? Expropriation is wrong. So I say that we must appoint a Subjects Committee for studying the situation before a resolution is brought.

Mr. Diwanchand Mehra : Sir, I rise on a point of information. Last year we debated regarding the refund of import duty on raw materials used in goods exported out of India. I would like to know whether any representation with regard to this was made to the Government of India and whether any reply has been received ?

President : That Resolution was sent to Government.

A Member : What is the result ?

Sir Shri Ram : The usual fate !

President : When Government do not send replies we cannot force them. It is for us to put forward our views. It remains for Government to redress our grievances.

Mr. Mehra : In any case members should be supplied with copies of representations made to Government.

Sirdar **P. S. Sodhbans :** With regard to the point raised by my Friend from Amritsar, I would request that the Committee should send copies of the representations sent to the Government of India to Member-bodies and where no reply has been received they should protest to the Government of India (hear, hear) for not replying to the representations of such a representative body.

President : May I take it that we adopt the Report and the Accounts ?

The Annual Report for the year 1940-41 and the Statement of Accounts for the year 1940 were then adopted.

President : We shall now proceed with the resolutions. I call upon Mr. Debi Prasad Khaitan to move the resolution on " Industrial Policy."

Mr. Devi Prasad Khaitan (Jute Balers Association, Calcutta) : Mr. President, I rise to move the Resolution on Industrial Policy standing in my name. The Resolution reads :—

INDUSTRIAL POLICY

(a) While noting the statements made on behalf of the Government of India that Industries needed for the prosecution of the war would be given assistance and protection after the

period of the war, the Federation feels that more specific and definite lines of policy of protection and encouragement should be laid down not only in regard to industries which are essential for war purposes but also in regard to such other industries as have been established to meet the needs and requirements of the people of the country, particularly owing to the diminution in foreign imports.

(b) The Federation is of opinion that such encouragement should be given as is found essential either through protective duties or grant of subsidies or purchases on behalf of Government Departments, or in any other suitable manner. In giving such assistance, however, the Government should not be rigidly bound to the criteria for grant of protection laid down by the Indian Fiscal Commission nearly twenty years ago, while the machinery for investigating and determining the claims for protection should not be so cumbersome or dilatory as hitherto.

Sir, I have had the advantage of going through the speech recently delivered by the Hon. Commerce Member during debates held in the Central Legislative Assembly. It is not my purpose in the course of today's speech either to offer a running commentary or a detailed criticism of the speech delivered by the Commerce Member in the Assembly, but it will be relevant to refer to certain points made out by him in the course of those Proceedings. There can be no doubt whatsoever that the Government of India do feel the need for greater industrialization in the country and still we find, to our regret—in fact to the country's regret—that the Government of India even now do not encourage industries in every possible manner. The Government of India do not yet see the necessity of establishing that co-operation and co-ordination between the efforts of the public and the efforts of the Government as prevails in every self-governing country. The Government of India think that they can sit in high and mighty chairs and dictate to us as to what is necessary and what they do not consider to be useful or necessary in the interests of the country. I would submit, Sir, that the position should be reversed and the Government of India should begin to pay more attention to the advice given by practical merchants who are not only more interested in the development of industries but who know at first hand what their difficulties are and what the needs are for the establishment and development of industries. It is indeed a matter of regret that even after the experience that the Government of India have got of the deficiencies of the country as a result of the war, as a result of the reduction of imports to India, even now they do not come forward by making frank declarations which would give not only encouragement but would give a kind of confidence, a kind of encouragement to capitalists in order to enable them to start and expand new and existing industries in the country.

In fact I regret to find that at the commencement of his speech the Hon. the Commerce Member spoke in a little lighter vein about the necessity for industrialisation and said that there are so many slogans prevailing in the country, that if all the slogans were adopted the necessary result would be that the country would perish. I regret that I am unable to see eye to eye with that attitude of the Hon. the Commerce Member. I would make bold to say that if the Hon. the Commerce Member in co-operation with his colleagues on the Viceroy's Cabinet paid more heed to the slogans put forward by the commercial community, not only would the Government of India be in a better position, but the mass of population in this country would be on a better, economic footing, than it is at the present moment. I can certainly sympathise with the Hon. Commerce Member in his difficult position in the Viceroy's Cabinet in which I am sure he finds himself face to face with opinions expressed and influence exercised not for the benefit of this country but antagonistic to the interests of the country (Hear, hear). I have not the slightest doubt that the Hon. the Commerce Member is doing his best in the difficult situation in which he is placed, but that is no reason why the Hon. the Commerce Member in making public statements, instead of giving expression to his difficulties, should find fault with the Indian commercial community for bringing forward demands which are necessary for the economic development of the country and especially in matters of industrialization. One complaint which the Hon. the Commerce Member has made is that industrialization should not be the only field in which the country has to progress—we should not forget agriculture. But when has the Indian commercial community forgotten the interests of advancing the agricultural interests of the country ? If there has been any vocal section in the country which has always put forward demands for the prosperity of agriculture alongside of the prosperity of industries, it has been the Indian mercantile community.

The Commerce Member has argued in favour of balanced adjustment. Sir, that is just what the Indian commercial community has always demanded of the Government of India—that there should be balanced adjustment between agriculture and industry. In fact, we have always argued that without the development of industries in a proper manner there cannot be proper safeguards for the agriculturist and there cannot be proper balanced adjustment between the agriculturists and the industrialists. Therefore when the Commerce Member referred to balanced adjustments he has not said anything new that we have not said.

Then the Commerce Member goes on to deal with the exports of raw products which we have been urging, but we have also been urging that India should not have to depend so much upon the export of raw products in the interests of the agriculturists as also of industrialization. I would like to know what active steps the Government of India have taken in order to make more effective use, industrial use, of the raw products that are produced within the country ? If the Government of India had listened to us at the proper time in order to enable us to make better industrial use of the agricultural products within the country, there would not have been that misery which prevails now in certain agricultural commodities on account of the dearth of ships and high freights which we are experiencing today.

It is quite possible, and to that again the Honourable the Commerce Member has referred, that within the last few days the prices of certain agricultural products have been rising and that has producd a great merriment among certain members of the Legislative Assembly, not necessarily among the Indian Members. It has yet to be seen how long the increase in prices that recently came about in regard to agricultural products would be sustained within the country. Now, he has also referred to consumers. Surely that is a slogan which we have been listening to for a considerably large number of years. But I would like to ask the Government of India to consider whether, as a result of protection, the country as a whole has suffered or benefited ? Have the Government of India made any calculations as to how many crores of rupees per year have been saved to the country as a result of protection ? I have observed that simple calculations are made by multiplying the import duty levied with the quantity of goods produced and then they put it forward as an argument that that represents a burden on the consumers. Surely, Sir, that is a misleading statement made by the Government of India and those who favour free trade. A simple calculation of that kind does not in any event show the burden on the consumers. Rather the correct perspective would be how much the country as a whole has gained as a result not only of the starting but the development of industries as a result of protection. Through the sugar industry alone which has been established as a result of protection, the country has saved at least Rs. 15 crores a year ; through the extension of the piece goods industry a much larger amount has been saved ; through the iron and steel industry quite a large amount has not only been saved but it is admitted by the Government of India that it came into good use at a time of difficulty not only for the Government of India but also the British Government and allied governments.

Now, that is the method by which the Government should take into account the needs of industries. They have also to take into account, as you, Sir, had pointed out in your speech the question of the employment of the middle class population and unless full encouragement is given to the starting of industries it will not be possible for India to attain that state of industrialization which not only her self-respect but also her economic needs would justify.

Sir, from time to time, statements have been made not only by the Hon. Commerce Member but other Members of the Government that the Government will not forget industries that are established for the purpose of the war and in this connection the Commerce Member has drawn particular attention to what he calls " gaps " in the industrial process and the example that he has given is the manufacture of boots and the necessity of manufacturing eyelets. Surely " gaps " have to be filled but not less necessary is the necessity of establishing industries for the manufacture of products for consumption by the consumers ; not less necessary is the establishment of industries which are usually called key industries ; not less necessary is it to start industries which would be necessary by themselves to help the development of agriculture and establishment of other industries. I am referring to the case of the industry of manure which is so much needed for the agriculturists. I am referring to the manufacture of things like the motor pump and other things which are so much needed for irrigation purposes. I can go on multiplying examples but it is not necessary to do so in a House of this character in which all practical men of business are assembled. I would therefore suggest, Sir, to the Government of India that they should pay greater heed to the requirements of and advice given by practical merchants who know by practical experience what are the things needed to produce confidence in their minds in order that they may establish new industries and may go in for the expansion of new ones.

Sir, there is one more point to which I would draw your attention. The Commerce Member has pertinently drawn the attention of the industrialists to the necessity of conserving resources which will be very much needed at the end of the war in order that industries may be preserved. The Commerce Member has drawn our pertinent attention to the fact that resources must be conserved by the industries as they may find themselves in great difficulty at the end of the war ; but has the Commerce Member been good enough to draw the attention of the Finance Member, his colleague in the Cabinet, and inquired as to whether the Finance Member is allowing any resources whatsoever which they could conserve according to the advice of the Commerce Member, which would stand them in good stead at the end of the war so that the industries may not go down ? I hope, Sir, that the Commerce Member will also ask the Finance Member that pertinent question before he gives us advice that we should conserve our resources. The resources must be left with us in order to be conserved. If all the resources are taken away, if the clouds of increased taxation are over our heads, it is not only difficult to conserve our resources, but it is impossible to embark upon new ventures which are risky propositions, so that if there are profits, the Finance Member will take them away, and if there are losses they would be borne by the investors themselves. Sir, this is a very unsatisfactory situation. I am glad that the Commerce Member has held out prospects of creating some organization by which the grant of protection would be made speedier and the procedure would be less cumbersome or dilatory than has been followed hitherto. But we have still to see what organization the Commerce Member will devise, and I hope that he will succeed with his colleagues in the Cabinet to really establish a good organization which will inspire our confidence and which will be able to act in the spirit in which we expect that kind of organization to act. Sir, unless the Government of India accepts our suggestion in this respect, unless the Government of India fully co-operates with the practical merchants of the country to find out ways and means to encourage them to establish and expand industries, I feel, Sir, that the economic development of this country will, if not actually be retarded, receive a great setback at the end of the war. These apprehensions have been pointed out by the Commerce Member himself, and I do hope that in coming to conclusions he will bear his own advice in mind to the benefit of the country as a whole.

Mr. Durga Prasad Khaitan: Sir, year after year the Federation has demanded that a permanent body should be set up—that the Tariff Board should continue—to investigate the claims of the industry for protection. Why has that point been left out in this Resolution ? Is there any particular object in giving up the demand which has been consistently set up by the Federation year after year ?

Mr. Debi Prasad Khaitan: In framing this Resolution we have not gone into details. As will be noticed, this Resolution is framed in a very general manner and the demand that we have put forward comes very primarily within the demand in this Resolution that there should be machinery for investigating and determining the claims of protection without any cumbersome or dilatory procedure. Sir, I move.

Lala Padampat Singhania (Merchants' Chamber of U. P., Cawnpore) : Sir, this Resolution is one of the very important resolutions which has been tabled by the Federation to be moved within this Session. Why was it necessary to bring this Resolution in this Session ? Everybody feels that during the war we are having such a dislocation of trade and industry that people do not know what is going to happen to this country. Perhaps there will be great industrialization in this country, and India will be placed in such a position that she will be able to meet all her own requirements. But, Sir, what is the condition of the new industries ? That is a matter which requires some examination. What I seek in this Resolution is that Government should be prepared to extend protection to the industries by means of protective duties or by grant of subsidies, and to purchase in this country all the requirements of all their departments. Besides purchasing all their requirements during the war from this country the Government of India should make it clear that all their requirements after the war will also be purchased through the existing industries, and the Government should extend such assistance as may be required for the development and expansion of existing industries, and the industries which are going to be established during the period of the war. Now, Sir, why does the Federation ask for these things in spite of the repeated declarations made from time to time either by the Hon'ble the Commerce Member or by other Government Members ? Sir, from the speech delivered by the Hon'ble the Commerce Member the other day in the Legislative Assembly, it is quite obvious that he himself is not satisfied with the industrial policy pursued by the

Government of India. He feels that their policy is not correct. Therefore, it is necessary for him to evolve a better policy, and at the same time Indian industrialists also should be very careful to see that further development of Indian industries takes place on right lines. I say, Sir, that when the war is on, it is very necessary that Government should lay down the policy and tell the industrialists what exactly is necessary, and on what lines they are going to help the industry and the industrialists in this country. Instead of that, this is what the Hon'ble Member said in his speech :—

> " But there is one thing that I should like to say, one word of caution which it is absolutely essential that I should utter to all industrialists and to all those who are dealing with commerce and industry generally. That industry is now fairly prosperous admits of no doubt whatsoever, that it has found opportunities of expansion which were not there before the war cannot be questioned. But there is a responsibility on industry and industrialists now which they should bear in mind. Last year during the Budget speech I had occasion to sound a note of warning. I said while industrialists were making profits—notwithstanding the Excess Profits Act they are making profits, otherwise there would not be any Excess Profits Tax—while they are making profits, they have to look to the future. And I uttered a warning that if they were to fritter away their resources at the present time, if they were to be too much dominated by the cries of their shareholders for dividends, and yet greater dividends, if they were to give in to that cry at the annual meetings and if the Chairman had not the courage to stand up and say—'This is the time for conservation of our resources, as when the world war is over, industry will be in a peculiarly difficult position,'—I said that if they did not have that courage, they would find themselves in a very difficult position, and they would find it even more difficult to get the sympathy of this or any other Government at the time when they felt that they were in difficulties."

Sir, I cannot understand this, because when a new industry is started, which is already being taxed to the extent of 80% by way of Excess Profits Tax, after paying 80% on Excess Profits Tax, there will not be very much left for payment to the shareholders and also for carrying forward into the Reserve. Supposing a new industry is started during the war time with an outlay of capital of Rs. 10,00,000, according to the Excess Profits Tax Act, there being no standard period, the standard income of that industry will be considered at the rate of 10%, and the industry will be levied Rs. 1,00,000 over and above the 80% or 82% profit of the industry. In other words, 90% of the profit will be paid back to the Government, leaving a balance of 10% of the profit. Supposing the industry has to pay to the shareholders at least 6% to 8% of the profit, then there will not be very much left to be kept in reserve to save the industry during the depression time, which is bound to come after the war is over. Can this small balance be considered by the Government as a very big sum, and with this small sum, which will be left after the war, how the industry can be saved if a depression in that particular industry takes place ? The industrialists cannot accept the warning given by the Commerce Member, as it naturally cannot have any force on them. It should be presumed from the warning of the Commerce Member that the Government is going to impress upon the legislature that in spite of their warning the industrialists have kept no reserve and that if the industries are not able to carry on after the war, it will be due to the fact that the industrialists have paid more money to the shareholders, but Sir, this cannot be a fact. This will have only a propaganda value. The real position will be that all the profits would have been taken away by the Government, and the industries cannot survive in the depression period after the war. In that case, it will not be the fault of the industrialists, but it will be entirely due to the Government policy. Therefore, we should make it clear to the Commerce Member, the Finance Member and also to the public that it is due to the action of the Government that the earning of the Companies is going to dwindle and the industries may not be able to survive after the war, because the Companies could not keep sufficient reserves of money due to the policy of extracting all the profits and leaving the industries without any profit adopted by the Government. Therefore, Sir, it is desirable that the Commerce Member and the Finance Member should consider the whole matter afresh, if they feel that industries in this country should be established and should remain in good condition aftter the war. The Government should allow the industries to keep a good percentage of profit with them in reserve so that the industries may be in a position to carry on through the period of depression.

With these words, Sir, I second the Resolution moved by my friend, Mr. Khaitan.

Mr. J. C. Setalvad (Indian Merchants' Chamber, Bombay) :

Mr. President and Gentlemen :

I rise to support the resolution before you, the case for which has been so ably presented by the previous speakers.

It is a sad commentary on the state of affairs existing in this country that time and again we have to urge on the attention of the authorities the necesisty for a line of policy or a course of action which is almost universally recognised as the one effective method of stimulating the development of industries within the country. Government outlook and policy in the matter of fostering industries is the one important factor which has stood in the way of a more rapid industrialisation of the country. The defects and drawbacks of the existing policy have been, year after year, pointed out to Government and I have no desire to take up your time by referring to these matters over again. Suffice it to say that the present fiscal policy of the Government of India has not met the requirements of the situation and that, therefore, the same should, at an early date, be substituted by a more dynamic policy which would create greater enthusiasm within the country for a more rapid programme of intensive industrialisation.

It is true that the Government of India announced early last year that they were prepared to consider the question of assuring specified industries, the starting of which was considered essential under conditions created by war, of such measure of protection against unfair competition after the war as may be necessary to enable them to continue their existence. While the assurance may be deemed as opportune, it may be pointed out that the promise of assistance in the shape of protection by itself is not sufficient at this juncture. On the other hand, Government must come forward with an active programme of industrialisation. They must themselves evince an interest in sponsoring schemes for new industries. They must have a plant which will make India industrially self-sufficient within a given period. In short, the role of the State, from that of being a benevolent spectator prepared to give a helping hand when any new industry gets into troubled waters, should be substituted into one where all steps necessary to forestall all difficulties will be thought of in advance by Government themselves and the necessary facilities provided and conditions created in which all such new industrial ventures will have a smooth time ahead.

The conditions governing the grant of protection or State assistance should be liberalised on more simple and practical lines and the undue emphasis regarding availability of raw materials should not ignore the balance of advantage in establishing and developing a particular industry which may have partly or largely to depend on imported supplies of certain essential materials. In fact, the conditions postulated under the existing policy have become out of date and as under the said conditions more rapid results are not possible, the proper course would be to enunciate a new policy which would take full account of the present requirements. The machinery set up for administering such a policy should also be such as to render its working speedier and more effective. Under the present arrangement the whole burden of first stating a case and then proving it is thrust on the proprietors or the owners of the industry. This responsibility should partly, if not wholly, devolve on the authorities charged with the work of administering the policy of protection in the country. It should equally be the anxiety of Government to investigate and find out cases of industries in difficulties and apply such remedial measures as would secure to them the necessary relief with the least possible delay. Even after industries are protected their conditions should be under constant official review so that time which is of vital importance may not be lost in conforming to or fulfilling formalities connected with departmental procedure. The responsibility for the failure of an industry for want of assistance, by the effect of external competition or by any other reason should be deemed that of Government themselves and all action and steps taken in administering the policy of protection should be guided by that consideration.

Sir, we are all aware of the plight of the Tata Iron and Steel Industry after the last war. All of us know what happened, what the railways told them after the war was over in respect of the purchase of rails from Tatas. They point blank told Tatas that as foreign material was available at cheaper rates, they were not prepared to purchase any rails from the Tata Iron & Steel Works. If they could treat an important firm like the Tatas in that fashion, what chance is there for a poor, small industrialist, with a small factory in a remote mofussil town, to get encouragement from Government, and what fate would such an industry meet with ? Sir, this is the reason why many investors are chary in putting capital in new ventures, because they have not forgotten the fate of the new industries in which they had put in money after the last war.

With these few words, Sir, I commend the Resolution for the acceptance of the House.

Sir Shri Ram (Delhi Factory Owners Federation, New Delhi) : Mr. Chairman, my name does not appear on the list of speakers, but, with your permission, I would say a few words. I will not take much time of the House. The speech which the Hon. Commerce Member delivered in the Assembly a few days back raises certain points, which have been dealt with very ably by the previous speakers. But there is one thing in the Commerce Member's speech honestly considered to be a cruel joke on his part. As my friend Mr. Debi Prasad Khaitan has pointed out, there will not be any money left to conserve the resources, and he also states that after the last war it was the agricultural commodities that suffered most and after this war, the Commerce Member warns us, that it will be the industrial products which will suffer the most. I think the industrial products of this country will suffer only if the then Commerce Member will fail in his duty to the industries of this country (hear, hear), the difference being that in the matter of agricultural products we depend for their sale upon other countries and we sell them even now. So far as industrial products are concerned, we are still not making enough for our own requirements, leave alone the question of exports. As such, if the Commerce Member knew what his duty towards his country and the industries of this country is, he will be able to raise the walls sufficiently high to see to it that the industries in this country do not suffer. As regards the conservation of resources all I can say is that it is a cruel joke ; in as much as his colleague, the Hon'ble the Finance Member, has left not much to conserve. The new taxes may have the effect of making people think twice before they start any industry. They are all chary and shy ; as is known to everybody in this country we are not prepared to take risks and I think it will be only right and fair if we tell the Commerce Member that it will be his duty as soon as the War comes to an end, to see that the walls of protection are raised sufficiently high in order that the industries in this country do not suffer.

Sirdar P. S. Sodhbans (Indian Chamber of Commerce, Lahore), in supporting the Resolution, said :—

Mr. President,

The Industrial Policy followed by the Government of India had been far from satisfactory, in spite of the fact that the Government was urged from time to time to initiate a bold policy in this respect. The Fiscal policy of discriminating protection enunciated by them some 18 years back under conditions entirely different from those prevailing at present has not been very successful. It had certain inherent weaknesses such as, the insistence on the fulfilment of the three conditions by an industry seeking protection, and a long and dilatory process for securing protection. This policy is unsuitable and the Government must revise it. The outbreak of War in Europe has proved it beyond a shadow of doubt. The entire commercial community and the public leaders had been urging in vain that the policy should be revised with a view to encourage industrial enterprises and thus to enable this country to quicken its pace of industrialisation.

Sir, India is now practically cut off from the rest of the world and she has now to depend upon her own inadequate resources. The Indian industrialists have availed themselves of this opportunity and have established certain industries. The Government have rightly assured their assistance to such industries which are essential for war purposes after the conclusion of war. But it is high time that the Government laid down more specific and definite lines of policy of protection and encouragement in regard to such other industries as have been established or are likely to be established to meet our internal market. It is a pity that India has yet to manufacture her own aeroplane, a motor car and a ship. The decision of the Government not to manufacture locomotives in India against the recommendations of the Committee instituted in this respect is deprecated. The establishment of these industries is an essential requisite for the industrial development of any country and its defence in these days of super-mechanisation.

With the growth of the sugar industry in India there is an ample supply of molasses which at present is a total waste. If petrol producing concerns in India are permitted to mix the fluid made out of the molasses in fixed proportion, then this huge waste can be converted into a useful gain. But it seems that the policy in this respect is guided from abroad. This should not be allowed to continue.

There is another trouble regarding the supply of tin plates for the cans used for manufactured goods. The only tin plates manufacturing company in India has restricted its supply and has intimated to the concerns to arrange for its supply from other non-Empire sources, such as Wales, which produces tin plates, but it has also restricted its supply. U. S. A. is the only country left, but then comes the question of tariffs. It is Rs. 44 only on Empire sources, but Rs. 65 in case of non-Empire sources. I would therefore request the Government of India to look into this matter.

Recently the Government of India introduced a bill for the extension of protection granted to the steel, iron and sugar and other industries for a period of one year. This is a half-hearted measure. The rapid success achieved by the protected industries revealed the latent possibilities of the country which has got abundant resources. It is imperative for the Government to realise the urgency of the occasion to make India a self-sufficient unit and an asset to the British Empire in the real sense. It is through industrialisation alone that we can solve some of our acute and intricate problems. We do not lack in enterprise, we have got enough capital, raw material is in abundance, labour is cheap and handy, but it is strange that inspite of all these essential requisites for commercial and industrial development, India is much backward in the industrial world. The capital investment in organised industrial concerns in U. S. A. is Rs. 1,800, in the United Kingdom it is Rs. 1,600, whereas in India it is barely Rs. 25. The *per capita* income from industries in India, U. S. A. and United Kingdom is Rs. 12, Rs. 830 and Rs. 463 respectively. These statistics reveal a sorry state of affairs. This backwardness is due to the indifferent industrial policy. The Government of India is not responsible to the people, and as such their past policy was dictated from abroad. The Government should not vacillate and should try to secure machinery for India and import a few experts for training Indians. In furtherance of the Bevin Scheme introduced for training Indian youths in England for the ordnance factories, the first batch of about 50 youths have already left India. The scheme is a laudable one, but I am doubtful if it would be really successful. Indian needs training on large scale and in various other industries that can be established in the country.

The Government of India have established an Eastern Group Council in India for co-ordination of arrangements for production and supply of munitions and stores in various Empire countries east of the Suez. The intentions of the Government are not clear or have not yet been made known to the public. I would like to impress upon the Government that such programme of co-ordination should not preclude India from establishing or developing any industries and particularly Key and Engineering industries manned, controlled, and financed by the nationals of this country. The Government should declare their policy in un-ambiguous terms so that the Indian industrialists may know where do they stand after the War. The old policy of delayed action should be shed off and profited by past experience, such a machinery should be set up which will be capable of taking quick decisions.

With these few words I strongly support this resolution.

Dr. L. C. Jariwala (Association of Indian Industries, Bombay): Sir, in supporting this Resolution I have only two points to make out. We very much appreciate the utterances on behalf of the Government of India but I believe they are quite inadequate. In this total war it is very difficult to distinguish between a war industry and an industry which is not a war one, provided one is not referring directly to the industries which are producing munitions. The industrial income per head per year in India is about Rs. 12, against about Rs. 412 in the United Kingdom and about 417 in Canada and about 158 in Japan. On the other hand the agricultural income in India is about Rs. 59 against Rs. 62 in the United Kingdom, against Rs. 213 in Canada and Rs. 57 in Japan. You will see that the industrial income in our country is only 1|5th of the Agricultural while it is 9 times in the United Kingdom, about 3 times in Canada and about 3 times in Japan. With the present increase of population and with the dwindling returns from agriculture the only source to which we can look for support of our increasing population is industry. Gentlemen, I cannot pass on without referring to the necessity of devising the industrial policy to give benefit to the indigenous industries. I should particularly refer to the activities of the foreign companies in India. I very much appreciate the utterances on behalf of the Government of India especially of the Supply Department but I can assure this House that there is at least one industry which though directly connected with the war has neither received assistance nor encouragement and that too for whose benefit! for the benefit of a company which is a non-Empire company. Gentlemen, if the industries are to be supported, the policy must be protection of indigenous industries. You will all agree with me when I repeat the words of Sir Frederick Nicholson that if there is to be an industrial policy it should be in the interests of the sons of the soil firstly, secondly and thirdly. By firstly, it is meant that the controlling interests must be Indian ; by secondly, it is meant that the management must be Indian ; and by thirdly, it is meant that the returns from this industry must remain in this country. With these few words, I beg to support the Resolution.

Hon'ble Sir Rahimtoola Chinoy : May I know to what industry did you refer in the course of your speech ?

Dr. Jariwala : I am referring to the electrical battery industry and today every armoured vehicle requires it.

Mr. A. R. Bhat (Mahratta Chamber of Commerce and Industries, Poona) : Mr. President and Friends,

There is indeed very little left for me to say on this Resolution on " Industrial Policy " after what has been spoken by those who preceded me. I shall, however, make only a few observations. Our case can be summed up in a couple of sentences. They are that we do not feel any confidence about the present economic policy of the Government of India, and therefore, we demand that the same must be replaced by a policy which will be in consonance with the industrial aspirations of the sons of the soil. Sir, the main shortcoming of the economic policy of the Government of India is that it lacks an objective. That objective ought to be the industrialisation of India and not the development of a few industries. In this country people have come to believe that by industrialisation is meant only the development of large-scale industries, and further, that the country's economic problem will be solved only by the development of large-scale industries and agriculture. But that is only partially true. As the economic organisation of Japan and European Countries shows, small scale industries form its very important integral part. Sir, during the last twenty years, the policy of discriminating protection helped the limited development of few major industries. But during the same period nothing was done for the small and medium industries. In the economic organisation of a country it is not the mere development of major industries or agriculture that solves the employment problem. The small and medium industries play a very important role in solving it. We, therefore, want an economic policy that will bring about an all-sided industrial development of our country leaving no gaps.

Sir, we have in this resolution asked for a clearer and more specific assurance from the Government than hereto given that industries developed during the war, for satisfying the defence needs, as also, the needs of the civil population, will be protected at all costs, after the war is over. We have been laying so much stress on this point because the experience of the last war and the years that followed it is disgusting. I shall, therefore, say, and when I say it I am only voicing the sentiments expressed by Sir Purushottamdas Thakurdas, some time back, that it is only when the economic portfolios of the Government of India will be transferred to responsible ministers that the Indian industrialists and merchants will feel that the assurance given will be translated into action when the time for it would arrive. With these remarks, Mr. President, I support the resolution.

Mr. J. K. Somani (East India Jute Association, Calcutta) :

Mr. President, it is not necessary for me to make a long speech on the Resolution which is so important and of such far-reaching conclusions to the industrial and economic prosperity of India that it would be needless for anybody to emphasise its usefulness. It is really a matter of pity that we have to put forward such Resolutions for the acceptance of the Government of India during the currency of the present war. The Government of India do not seem to have realised, they do not seem to have profited much from their experience of the last Great War. When the last Great War broke out the Government realised its folly of pursuing the policy of *laissez faire* towards industries. The industrial level of the country at that time was very low, the Government had not taken any steps to develop the industries. But, Sir, after the termination of the war they initiated a policy which resulted in the collapse of the wartime industries.

I need not state, Sir, what a great difference it would have meant if India had been properly industrialised—what the situation in the war would have been if there had been proper industrialization of the country. The fact that in 1941 India is so ill-equipped in aeroplanes shows that in the matter of industrial policy, the Government have been indifferent, and it is an irony that they are out of touch with the realities of the situation. The policy of discriminating protection adopted by the Government under the recommendations of the Fiscal Commission no doubt stimulated industrial development of the country but left the initiative entirely to the individual, with the result that some of our industries such as shipbuilding, aeroplanes, manufacture of automobiles, heavy chemicals, machinery, etc. are still undeveloped. If the Government of India want that India must take her role in the prosecution of the war it is imperative that there should be a more bold industrial policy pursued with a view to accelerate the industrial pace of the country. Sir, Indian capital in sufficient amounts will be forthcoming if there is proper field for investment, but our great difficulty is that the public are afraid that investment now in war-time industries might, after the termination of war, prove a waste. Therefore what is wanted is a clear and unambiguous statement from the Government that all the industries established during war-time would be protected by the Government as any other independent government does. I am of opinion that if the Government does not pay attention to this Resolution they would be committing a breach of faith with the people of this country which will not eventually be conducive to their own interests (cheers).

The Resolution was put to the House and was carried unanimously.

The House adjourned for lunch at 1-20 P.M. to meet again at 2-30 P.M.

SATURDAY, the 22nd March 1941

AFTERNOON PROCEEDINGS

The House reassembled after lunch, at 3 P.M., with Mr. Amrit Lal Ojha in the Chair.

President: I am taking up the resolutions which are to be moved from the Chair.

POLITICAL SITUATION IN THE COUNTRY

(*a*) The Federation views, with serious concern, the unfortunate developments in the political sphere which have led to the breakdown of the constitutional machinery in seven out of eleven Provinces of India.

(*b*) The Federation urges upon His Majesty's Government as well as His Excellency the Viceroy the imperative necessity of taking immediate steps to end the present constitutional deadlock by responding to the demand for the establishment of a National Government at the Centre, pending the final settlement of the wider constitutional problem.

Mr. V. K. Dhage: Sir, with regard to the second part of the Resolution I do not like to say anything about its wording but I ask whether this is within the objects of the Federation. Is this Resolution as it is worded *intra vires* of our constitution ? Can we move it here ? It is entirely political.

President: The Resolution was sent to all Member-bodies and was accepted.

Mr. Dhage: This Resolution cannot come within the objects of the Federation.

President: I think it can come.

Mr. Dhage: If you rule so, I have got to accept your ruling. But I had to say what I thought fit.

The Resolution was put to the House and carried unanimously.

President: I move Resolution No. 2 which reads—

DEFENCE INDUSTRIES

Having regard to the experience gained by the Government of India in the supply of war requirements, since the outbreak of hostilities and to the immediate necessity of building up, on modern

scientific lines, the defence services of India, *viz.* the mechanisation of the Army and up-to-date equipment of the Naval and Air Forces, and their efficient maintenance in future, the Federation urges upon the Government of India to take immediate steps for the establishment of the Defence Industries in India, either under the direct control of the State or of the nationals of this country, such as, the manufacture of motor vehicles, aircraft, merchant ships and naval units, guns and tanks, heavy chemicals, etc. The Federation feels the urgent necessity of Government undertaking a long-range and comprehensive plan for establishing and assisting these industries, with a view to minimise the dependence of this country on foreign sources.

The Resolution was put to the House and carried unanimously.

President: I move Resolution No. 3 which reads—

SHIPPING

(*a*) The Federation emphatically reiterates its opinion that National Shipping is vitally essential to secure India's economic sufficiency, and to serve as India's first line of supply and second line of defence, and that India should have, without any further delay, an efficient and fully developed mercantile marine, owned, controlled and managed by her own Nationals, adequate in strength to meet the requirements of the vast maritime trade of the country, both coastal and overseas. The growing difficulties now being experienced in India's import and export trade, and the almost complete disorganisation of its important passenger and cargo traffic has made it imperative that India should possess a large and powerful merchant marine of her own. The Federation therefore, deeply deplores that in spite of the declared and recognised responsibility of the Government of India for assisting India to build up such a Mercantile Marine, the Government have not only not taken any effective steps to help National Shipping in securing substantial participation in India's Maritime trades, nor have they formulated any policy or plan for redeeming their oft-repeated assurances, but, on the contrary, have enforced measures, under the present emergency, that are practically operating as set-backs on the Indian shipping industry.

(*b*) The Federation can see no justification :—

(1) for restricting the movements of and controlling the rates of freight and passage fares charged by Indian

ships on the Indian Register while leaving British ships engaged in the coastal trade and ships on the Indian Register but practically owned by British interests absolutely free in these matters;

(2) for giving substantial financial help to ships on the Indian Register but practically owned by British interests running in the Haj Line, effectively driving away the ships of the national company from that important India's overseas traffic;

(3) for requisitioning almost all the small ships and the most substantial portion of the large Indian ships owned by Indian nationals, while leaving a number of British ships on the British Register free to carry on the coastal trade; and

(4) for appointing non-Indians as Shipping Controller, as Indian Shipping Adviser and nominating only non-Indian firms as representatives of shipping on Advisory Committees.

(*c*) The Federation regrets that the Government have not hitherto agreed to encourage actively Merchant Shipbuilding Industry in India as a part of their war effort and strongly urges them to take all necessary steps to encourage the efforts for the establishment of a shipbuilding industry in India through bodily transfer of a shipyard from the United Kingdom as well as by giving the same priorities as are given to war industries in respect of steel machinery, machine tools and technical personnel.

The Resolution was put to the House and carried unanimously.

President: I move Resolution No. 4—

REPRESENTATION OF INDIAN INTERESTS ON PORT TRUSTS

(*a*) The Federation regrets that despite the demand of the public, the Central Legislature and the Indian commercial community during the last several years, for the revision of the various Port Trusts Acts, the Port Trusts cannot continue to be administered under obsolete Acts passed several decades ago and under which a European majority has been secured on almost all the Boards of the major Ports. The Federation wishes to state that apart from the fact of such non-Indian majority being anomalous in view of the trade passing through the Ports being now largely handled by Indian nationals or on their account, it is also essential that having regard to the safeguarding of Indian interests, such major undertakings of national importance as the Port Trusts should be controlled and managed by Indians themselves. The Federation, while welcoming the recent decision taken by Government to reconstitute the Board of Trustees of the Port of Madras with a view to secure greater representation of Indian interests at the Port, urges the Government to take early steps to revise the other Major Port Trusts Acts and provide for an Indian majority and adequate representation of Indian commercial interests on the major Port Administrations.

(*b*) The Federation also desires to draw the attention of the Government to the necessity of increasing the pace of Indianisation of the higher services of the Port Trusts and urges in this connection the appointment of suitable Indians as Chairmen of the Calcutta and the Karachi Port Trusts when the terms of the present incumbents expire.

The Resolution was put to the House and carried unanimously.

Sir Shri Ram (Delhi Factory Owners' Federation, New Delhi): Mr. President and gentlemen, the Resolution which I have to submit for your acceptance is in the following terms :—

DEVELOPMENT OF INDIA'S EXPORT TRADE TO NEIGHBOURING COUNTRIES AND ESTABLISHMENT OF EXPORT TRADE ORGANISATIONS

(*a*) Having regard to the desirability and importance of developing an export market for Indian manufactured articles and having regard to the absence of first-hand information regarding the scope for such a development and with a view to study the conditions of the import trade in the British Dominions, Colonial Empire and neighbouring countries, the Federation suggests to the Government of India the organisation of trade missions consisting of Indian businessmen, with the necessary technical staff, to visit those countries.

(*b*) The Federation further urges that a comprehensive Export Organisation be constituted by the Government of India to supervise and control, if necessary, export of Indian goods in respect of their quality, strict adherence to samples and specifications, correct marking of goods as regards dimensions, etc., and that such an

Organisation should mainly consist of non-officials, representative of important indigenous manufacturing interests and should be financed from the general revenues of the Central Government and, if necessary, by an imposition of a small cess levied on the production of exporting industries, just adequate to meet the maintenance of such an Organisation. The Export Organisation should undertake such activities as the opening of commercial museums in India and abroad, maintenance of technical staff at the offices of the Trade Commissioners as would be conducive to the greater development of export trade in manufactured articles.

I believe that the premise upon which this Resolution is based namely, that it is necessary and desirable to expand our export markets, and that the present time affords the best opportunity for developing export trade, I think will be readily accepted. In the old days it used to be said that "Trade follows the flag" and I think in these days we might as well say that trade follows trade missions and that really is the essence of this Resolution. The time has come when countries in the East like Australia, East Africa and so many others which in the past depended particularly for their requirements of textile products upon Europe and Japan, cannot today get even a single yard of textile goods from any of those countries in Europe. Even Japan is not in a position to supply the full needs or even to a small degree the needs of these countries. Those of you who may have studied the export figures and the production figure of Japanese mills may have found out that Japan's exports in textiles have gone down. On the other hand, we have got in this country a huge surplus of cotton which cannot be exported now. The reasons have been explained in the Presidential speech. As it is, the internal consumption of Indian cotton is increasing, and if steps are taken to export manufactured goods from this country, then it will not only help in the disposal of the surplus agricultural products of this country, but it will also help in establishing industries and in retaining a part of the trade even after the war, and also in expanding and consolidating their position during the period of the war and immediately thereafter. Even after the war, it will be conceded, that for a long time, in view of the enormous destruction of places, the demand, if anything, is likely to be even more than during the war itself.

This Resolution mainly suggests that the Government of India should take steps to send trade missions to all these countries at one and the same time and not wait until it is too late. The revered late politician, Mr. Gokhale, had once said in the old Imperial Legislative Council, "My lord let not the words 'too late' be written on every reform that the Government of India brings about" and I think in this instance we might also say the same thing to the Government of India, "Might not the words 'too late' be written on every trade mission you send." It is already 18 months since the war has been going on, and properly constituted trade mission has not been sent to any country. Many of you will remember that immediately after the last war started, Japanese businessmen and Government sent out trade missions to almost every country and they captured the markets to such an extent that the European countries who were at war have never been able to recover from that loss. As a matter of fact, so far as the textiles are concerned, Japanese mills produce the biggest amount in the world. Here we have got an opportunity and if we lose this opportunity then after the war as pointed out by the Commerce Member not only will our agricultural products suffer but even our industries will suffer. When we speak of these trade delegations, what we have said in the resolution, is that the trade missions should consist of Indian businessmen and necessary technical staff. I do not think I should dilate on that matter. After all, it is only the nationals of a country who can have national interest at heart. It is also necessary that along with businessmen technical men should also be associated so that they may be able to study the tastes and requirements of those countries, and if possible there and then advise them as to what is possible for us to make. There is no use in our sending Saris to Canada and Latin America. We will have to send there our people to see, again in the matter of textiles particularly as these countries are cold countries, whether from our short staple cotton we could make certain things which the poor people of those countries could buy and thus help in using our short staple cotton which is a problem here. I can tell you from experience that there are such differences between the requierments of other countries and ours. Australia for instance will not buy any piece which is less than 60 yards, whereas the common length here is 24 yards for the purpose of shirting. In the same way in regard to dozens of other things there are vast differences.

It might be enquired as to why we are seeking the Government of India to create an organisation in this country which is stated in part (*b*) of my Resolution. The reason frankly is this, that out of thousands of manufacturers in this country whether on a big scale or on a cottage industry scale or otherwise some one, two or more, for purposes of immediate gain, may send goods which are not up to the samples and specifications and the reputation of the whole country might suffer. It is absolutely necessary that in foreign countries India's reputation for a fair and square deal must be maintained as high as possible. And that cannot be done on a voluntary basis : it could only be done if there was an organisation which could force every exporter to submit his goods for inspection and that is the main aim of the second part of this Resolution.

Then we have also to meet the possible objection by the Government as regards the expenses of this organisation. The Finance Member might tell the Commerce Member and the Commerce Member may pass it on to us that the Government of India is hard pressed for money and they cannot find the money—small sums of money for this purpose. We have therefore given an alternative that in case it is not possible for the Central Government to find the money then a small cess could be levied, just adequate to meet the maintenance of such an organisation and charged from the export industries. In certain cases I understand it has been the experience of businessmen in this country that cesses have been levied far in excess of the requirements of that particular purpose and it is for that purpose that we have made it clear that in case the Government of India cannot find the money themselves then a small cess might be levied. With these few words, Gentlemen, I commend this Resolution to the House.

* **Mr. Sankalchand G. Shah** (Association of Indian Industries, Bombay) : The Resolution that I am asked to second is a very comprehensive one. The Mover has described the nature of trade missions that we must send to foreign countries to study the conditions of those countries and in order to enable us to market our goods. Regarding the trade missions, it will be very imperative for us to select very experienced businessmen as also industrialists including small and medium scale industrialists because some of the products of our small industries are becoming more popular in foreign countries—and in the absence of these markets we shall not be able to industrialise the country more rapidly.

As regards trade missions we should not have trade missions of the type of Meek-Gregory Mission which has miserably failed, as you are all aware, but it should consist of several experienced and distinguished businessmen and also indutrialists who should be given all sorts of facilities by the Government of India to visit foreign countries and neighbouring countries in which we may be able to build our export trade. The mission should be accompanied by a good technical staff who may be able to study local requirements, because that would enable us to find markets for our cotton as well as other industries.

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* Speech not corrected.

Regarding the export organisation which was proposed to be formed in the Resolution, I may point out, Sir, that such export organisations are found in all countries of the world, particularly in Japan we see such an organisation as a result of which several articles coming from Japan now have shown considerable improvement in quality and the complaints, that were made before, have now disappeared with regard to their goods. We had complaints from South Africa regarding the quality of textiles as well as packing and in other particulars, and we noted the complaints, so that such an export organisation should concentrate its attention on the quality as well as the specifications that are required in different markets. The functions of this organisation will be very different and varied.

We have suggested that there should be established commercial museums all over India as well as in foreign countries in order to popularise our goods because without advertising and without letting the export markets know that we are producing such and such products, it will be difficult for us to create markets.

Regarding trade commissioners, Sir, it is also suggested that we must select trade commissioners from experienced Indians, from non-officials as well as industrialists. I should suggest that as this matter is very important, we should take special care to see that only those people that are highly experienced in this line as well as the technical staff should be allowed to go as trade commissioners. So far as we know, some of our trade commissioners have done very well in export markets and have created a name for Indian goods. With these few words I support the Resolution.

Mr. B. C. Ghose (Bengal National Chamber of Commerce, Calcutta) : Sir, I rise to support the resolution which has been so ably moved by Sir Shri Ram and seconded by Mr. Shah. This resolution I understand, is designed with the object of developing India's export markets which had shrunk seriously even before the war, and whose position threatens to become even more serious as a result of the hostilities that have broken out in Europe.

This problem of the development of our export markets has two facets : one immediate and the other long-term. The immediate aspect of the problem is that of the disposal of the surplus of agricultural commodities that we have in our country, and the utilisation to their fullest capacity of our industrial plants and machineries. Even now I feel that the plant and machinery of all our industries are not being used to their fullest capacity. The war has given a great impetus to certain industries. But these industries represent only a sector of our industrial field. For the rest, plant and machinery are not yet being used to their utmost capacity. But we have also to think of the time when the War will have ceased. Then we shall have to meet the competition of other countries in foreign markets. This is the long-period problem, and at this point the immediate and the long-period problem merges into each other. While therefore it is necessary for us to develop the export market for both our agricultural products and the products of our industries, and to take utmost advantage now of certain markets that have been opened up for the products of our industries, it is essential that we should so develop our industries and so develop our organization, that, when the war is over, we shall be able to face foreign competition. I am sure that, although the resolution does not refer to this aspect of the problem, it is one of the objects behind the resolution and that the long-term aspect of the problem to which I have alluded will not be completely lost sight of. In this view of the matter, it is necessary both for businessmen and the Government to get together and to think what organization might be set up and what steps instituted, so that we might relieve our agriculture and industries of the difficulties that face them to-day. With these few words, Sir, I commend this resolution to the acceptance of the assembly.

Mr. G. R. Sathe (Mahratta Chamber of Commerce and Industries, Poona) :

Mr. President, the object of the resolution is twofold. One and the main to bring in foreign exchange in the country which has been so very essential, even in the eyes of the Government and secondly to provide work to so many unemployed in the country and thus increase the standard of living.

The eyes of the western world have been drawn to India as being the country of Gold since so many centuries. How this country had had so much of gold when there are scarcely any gold mines in India compared with the vast area of the country to the small acreage of gold mines in Mysore. This gold did not certainly fall from the heavens but has been earned—I would put a stress on the word earned by the artisans and farmers of India for centuries together until recent one of two centuries, before the time when the revolution in Science and Engineering took place in Europe. India always used to export art and silk-ware, cotton and woollen fabric and a good amount of farm products as well, while importing very insignificant amount of imports in glass-ware and other few articles of luxury, thus year after year only concentrating wealth from all the parts of the world then known. Even after the scientific and Engineering revolution and even after the wilful plunder and slaughter of Indian Arts and Crafts—I appropriately use the word slaughter because as you know our artisans have been most mercilessly deprived of means of manufacture even by cutting their fingers—this has now been a proved fact of the history. India still used to export more than what she imported until recent years. So long as this difference was more than enough to meet the heavy remittances of high paid salaries of the British Officers and men, who so kindly came to India are better say in their words were sent by Providence for the benefit and welfare of India. The expenses of India House and also the interest and profits earned on British as well as other foreign capital it did not matter much. But since recent years the times have changed and the ratio is becoming topsyturvy inspite of the so-called industrial developments of India and the difference of exports over the imports is now falling short to meet the remittances on account of the above items. This way India is being drained off the amount of gold collected by the strenuous efforts of our fore-fathers and if this state of affairs continues there will scarcely be any gold—not even traces—in India which has so long been styled as the land of lustre. This is certainly not, not only in our interest but not even in the interest of our rulers too as India will be one day a land of bankruptcy with nothing to plunder and probably the empire will have the fear of being starved one day. India is being styled as the key stone of the empire because of the best grazing fields for the British bulls, and ample supply of Raw Material to supply to the British Factories in their own land as well as in the colonies. The empire has been admittedly living on the resources of Indian farm products, man power and wealth. At least to keep this to continue the government has to see that the hen giving out gold eggs gets enough nourishment at least to live to give further eggs and not die out of starvation. To do this India's exports have to be encouraged to increase at least to meet the burden of the salaries and other interests.

Since the death of our Arts and Crafts India's main exports have been in the form of farm products such as wheat, cotton, jute, oil-seeds, indigo, etc., but with the development of Science our prospects in this field are getting shorter day by day. With synthetic colours and dye-stuffs, our indigo trade has almost died out. The introduction of Rayon is probably shortening the demand of Indian cotton. Synthetic wool fiber has already been a commercial product at least to meet the local demands in Germany, and the interests of Jute manufacturers are also coming at stake. During my recent tour in Germany I had the chance of visiting the famous works of Seimens' cables and wires and I felt a bit proud of India when I was told that, that particular industry was dependent on India for jute fibre as there was no substitute found to replace this for insulation of cables and wires. They were already trying to cultivate jute in Germany by creating pasture lands suitable for jute crops and I had the chance of visiting such artificially created fields also. This was in their five years plan to become self-sufficient and even taking it for granted that they had succeeded in taking jute crop the field crop would have probably been uneconomic and limited but the recent news announcement on Radio that they have succeeded in manufacturing synthetic jute fibre on commercially successful basis and after the war they would be in a position to satisfy the needs of the world in competition with natural jute fibre is certainly serious. If this is true, then the jute industry also is sure to meet the same fate one day or the other as that of the indigo. With a fear of further decrease of export in the Indian farm product naturally, if the export trade is to be maintained export of finished goods has to be encouraged.

At the present moment there are so many barriers in the possibilities of export of finished goods. The first and foremost is that of the faulty exchange by which we have to suffer 12%. When giving quotations we have to give in English pounds for which we get about Rs. 1-8 less and indirectly the foreign manufacturers have that much advantage. Then comes the Import duty that we have to pay on machinery, chemicals and other raw material which is in most cases 25% to 30% and its ratio to the price of finished products varies between 6¼% to 12½% depending upon the percentge of such raw material required. Then comes the turn of transport difficulties which come to 6% to 20% depending upon the situation of the factory from the coast, and then comes the advantages enjoyed by the manufacturers in such free nations where there is no import duty on raw material, whose exchange is favourable and those others who give export bounties to the high extent of 40%. Unless these disadvantages are covered, there would scarcely be any possibility for the Indian manufacturer to quote for their goods in competition with foreign manufacturer.

Now the question will arise as to how to meet this expense. I am not a studied economist but whatever I can gather with the economics of the common sense the Government would not have to lose much as the income side would be swelling by increased collections by way of income-tax, increased income of railways by increased transport, the general tax-paying capacity of the general public by decrease in unemployment and so on. But even taking it for granted that actual expenses on this item are not met with in rupees and annas there is surely the advantage to nation, of increase in wealth by bringing in foreign money. To quote, for instance, I would mention here the struggle of a rich country like England for foreign currency. Everybody knows the value and the necessity of food material especially in war time and especially at the present critical moments when British shipping has to face the submarine warfare. But even under such circumstances the British Government has not only not stopped the export of biscuits and such products but encouraged the export by giving shipping facilities, exemption from conscription bill and active service to the workmen in the factory only because they are rendering valuable service to the country by bringing in foreign exchange, being the difference in the cost of imported raw material as wheat and the high price gained for the finished product like biscuits abroad. The same thing holds good for Glaxo, Ovaltine and a number of other articles. Don't imagine that they are doing this for you, for me and our children, as they profess, as being the articles of necessity for Indian children as if for want of Glaxo our children will no longer live. As if our Sivaji, our Rana Pratap, our Peshvas were being fed with Glaxo! If they could do without Glaxo, our present children also can very well live without and going a bit further I ask you what percentage of fathers in India can afford to feed their babies with Glaxo or even with ordinary pure milk. Naturally this is all mere show to plunder you and me of whatever wealth is remaining with us and to take exchange to England. If the rich British treasury has to fight and is prepared to fight at the sacrifice even of its food supply, for foreign exchange, then what of India who has to make up the difference in trade by letting gold go out by crores every year. Our president's statement, that of having secured surplus sterling by exchange of dollar loan has brought spare sterling currency, does not also stand as India will have to make good the numerous amounts given away by war donations, major portion of which is sure to be spent on purchase of war material and aeroplanes in foreign countries like America.

The other advantage of increased export is that of creating possibilities of employment to the lacs of unemployed, in factories is also not to be ignored. The population of India is increasing every year and the number of persons depending on farms and agriculture is becoming disproportionate and the result is that thousands are dying of hunger and several others are helf-fed. If by increased export any of them get employment which they are sure to do, they will always be blessing the Government and it is on the blessings and satisfaction of these thousands that the stability of the Government depends.

As I told you I am not an economist. Let the Government appoint a committee of experts, but such experts who will be true Indians at heart and will care for Indian interests alone otherwise the whole scheme instead of doing any good would do worse. Let the committee make a report which the Government should bring into action immediately and let something good, result out of the time and money spent by us all in coming to this meeting.

When demanding Bounties for exports, I mean only the export of finished goods and not of raw material. Encouragement to export raw material would do only harm instead of doing any good as thereby there would be unnecessary pressure on the treasury without doing any good to the nation. Our farmers are already getting less money for their farm product unfavourable exchange and it is an indirect advantage to the foreign manufacturers inasmuch as they are getting the raw material cheaper to that extent. If this is made still cheaper by export bounties on raw material, it would only mean increased disadvantage and competition to Indian manufacturers and no true Indian would make such a foolish demand. The principle of export bounties has been admitted by our Government by giving a bounty on wheat export but this has been definitely to the advantage of the foreigners. You probably know that under the war conditions the British Government has adopted the policy of fixing prices of material. You will probably hear with surprise that the maximum current price fixed for wheat flour in England is a little cheaper than the price of flour in India. This information I am giving from the news published in the Food Magazine and is not from own pockets. When fixing the flour price, the Government has naturally to see that the flour mills get wheat at comparatively low price and probably to achieve this, but under the plea of creating market for Indian wheat this bounty may have been declared. Instead of giving bounties for wheat export if bounty is given for biscuits this industry will be in a position to give more employment, and also retain in the country the cost of production and a little profit. This has been given only as an instance and the same is the case in every type of raw material. So the Federation should never dream of demanding any facilities for the export of raw material but, on the contrary, insist on Government to encourage new industries to be started to utilize the whole Indian farm products. With these words I support the resolution.

President: I would request the speakers to be as brief as possible.

***Mr. G. Somani** (Bombay Bullion Exchange, Bombay) :

Mr. President and gentlemen, I would like to say a very few words to lend my humble support to this important resolution. The fact that the export market forms a vital link in the national economy of the country needs no emphasis. Indian industrialists have been waging an unequal struggle to secure overseas markets against the highly industrialized countries of the West. But the outbreak of war has changed the entire outlook, and there are at present more favourable opportunities for the expansion of the export trade. So far as the textile industry is concerned, I feel that this resolution is of special importance. The last two years have shown that the textile industry has been suffering from over-production, and unless the industry can find overseas markets for a portion of its products, the industry will be faced with a very serious situation in times of depression. But, sir, individual efforts and enterprise alone are not sufficient to take the fullest possible advantage of the present favourable opportunity. Recently I had come across a very interesting and nice book issued by the Cotton Board of Manchester in which various rayon and textile products were very profusely illustrated. It was indeed very interesting to find that the British textile industry, in spite of the fierce struggle in which the country is engaged, is being so much stimulated not only to retain but even to expand their export trade. We, who are so far from the actual theatre of war, have got so many favourable opportunities before us that it is high time that something was done by the Government to co-ordinate and encourage individual enterprise. I hope, therefore, that, whatever demands have been put forward in the resolution, will receive sympathetic consideration from the Government, and with these few words I support the resolution.

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* Speech not corrected.

President: Gentlemen, the resolution has been duly proposed, seconded and supported. I put it to vote.

The resolution was carried unanimously.

Sir Abdul Halim Ghuznavi (Muslim Chamber of Commerce, Calcutta) : Mr. President and Gentlemen, I beg to move :

PURCHASE OF B. & N. W. RAILWAY

(a) The Federation notes with satisfaction the decision of the Government of India to terminate the contracts of the B. B. & C. I. and the A. B. Railways and to take over the lines under State management from January, 1942.

The Federation reiterates its considered opinion that the Government should take steps to acquire the remaining company-managed railways as and when termination of agreements with them becomes due, in order to achieve co-ordination and economy in the administration of railways.

(b) As the option for termination of the contract with the Bengal & North Western Railway falls due on the 31st December 1942, and for which previous notice has to be given before the end of the current year, the Federation strongly urges the Government of India to take steps accordingly for acquiring the B. & N. W. Railway.

Sir, I should like to give to this House a short history of the Indian Railway from the point of view of this Resolution. From a study of the Acworth Committee's Report and all the literature on the point since including statements made by Sir Charles Innes in 1923, it would appear that the State found the capital in almost all the cases of the Railways, if not to the fullest extent, at least to the extent of 90 per cent. The State-owned railways were made over to Britishers, to British companies domiciled in London, to manage the railways in India. That, Sir, is a position which no other country except India could tolerate. Sir, the State having paid for the railways, it is up to the State to see that a foreigner does not exploit the income of a railway. What do we ask for ? We have asked very little. Our demand has been to terminate the agreements of all the railways where the State subscribed the capital.

Sir, this question of purchasing the Company-managed railways by the State has been before the public predominantly for the last 25 years. It has been discussed several times in the old Imperial Legislative Council and in the Legislative Assembly. But no heed was given. Ultimately in 1920, after a good deal of attention was devoted to the respective merits and demerits of the various possible systems of management, Government decided to refer this important question of policy to a Committee called the Indian Railway Committee under the Chairmanship of Sir William Acworth in November 1920. That was the first fruit of the agitation, as a result of which the Government was compelled to form a Committee. Sir William Acworth, after examining the European and the Indian witnesses the British witnesses, of course, as I find from the report, did not agree that the State should take over the railways, they still wanted to exploit by way of management of these railways owned by the State—he, Sir William Acworth, in his report which was submitted on the 22nd August 1921, admitted and unanimously came to the conclusion that the system of management through companies of English domicile should not be continued—mind you, Sir, the expression ' English domicile ' should not be continued—after the termination of their then existing contracts. The Acworth Committee further recommended that the system of management of a combination of English and Indian domiciled companies was impracticable. On the policy of State management, the Chairman and four members of the Committee—I may say at once that they were Indians—held the view that, approaching the question not as one of national sentiment but purely from the practical point of view, they found themselves in agreement with the almost unanimous opinion of Indian witnesses and recommended the undertaking of guaranteed companies, when contracts fell in, to be entrusted to the practical management of the State. Sir, with your permission I would read one or two paragraphs from that report to show with what considerable difficulty we obtained that opinion to which I have referred just now. The report says:

> "It must be admitted, therefore, that the part which the present guaranteed companies subsequent to the date of their formation have played in financing the railways has, through no fault of their own, been quite unimportant. A reversal of the present policy in the direction of permitting the English domiciled companies to increase their share capital in the undertakings which they now manage would meet with strong opposition from a large body of the public in India. We cannot therefore recommend the adoption of that course. Moreover, an overwhelming majority of the witnesses who appeared before us in India, whether individually they advocated State or company management, urged that the time had now come when the control both financial and administrative of the Indian railways should be transferred to India. That view is entitled, in our opinion, to very great weight."
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> "When in the years succeeding 1880, the present status of the guaranteed companies was fixed, reasons which at the time appeared sound may have justified the adoption of the policy which, while retaining in the hands of the Government the absolute ownership of the railways, freed Government from their detailed management and handed over their working to English domiciled companies."
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> "Advantages may be claimed for the exercise by the London boards of the functions to which we have referred and for the technical and expert knowledge which many of the directors possess. But conditions in India have changed so greatly in the last few years, and are changing so rapidly at this moment that whatever may have been the position in the past we think the advantages of English management are now outweighed by the great disadvantages of absentee control and the difficulty of keeping in close touch with the modern, social and trade conditions of India."
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> "For the foregoing reasons we unanimously recommend that the English domiciled guaranteed companies should cease to exist at the termination of their present contracts."
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> "We now proceed to discuss the question from quite a difficult angle. Indian public opinion is practically unanimous in demanding that the owner shall manage directly. We

> see no reason to believe that the mere transfer of the management from companies domiciled in England to companies domiciled in India would satisfy Indian public opinion. Nor, judging from the evidence before us, would such a transfer meet with general approval by Europeans in India. For though almost all the European witnesses whom we examined upon this point favoured company management, only nine out of 19 supported Indian company management, the remaining ten contemplated either management by companies domiciled in England or by a combination of English and Indian domiciled companies."
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> "We attach great importance to the fact that Indian public opinion is against company management, and this not only on the general ground that Indian opinion is entitled to great weight on a question on such as this, but for another reason of great practical importance. It is with money secured on Indian taxation that the Indian railways have been almost entirely built. It is the Indian public that uses the railways and pays the railway rates and fares. It is the Legislative Assembly at Delhi which under the new constitution votes the railway budget. It is of the utmost importance that Indian public opinion should not be practical politics it must always be remembered that a railway undertaking is a large and widespread concern ; it employes a staff numbering very many thousands ; and this staff some of whom will certainly be stupid, careless and possibly even corrupt, comes in contact every year with the millions of customers, whether as traders or as passengers. 'Give a dog a bad name and hang him' is a very true proverb in this connection. We do not think in this fallible world company management can be so good as to escape fierce, often unfair criticism from Indian opinion. Even if we were to assume that State-management would not be better, we are quite sure that its failures would be judged more leniently by the Indian public."

After that report the Government undertook to purchase or take over the management, for they had no money to purchase the railways ; they undertook to take the management of E. I. R. and G. I. P. Now, Sir, when those railways were taken over Sir Charles Innes in his speech in the Legislative Assembly on 27th February 1923 persisted in trying to induce members of the Assembly to agree to this : There is no time left for us to consider ; we are therefore buying, taking over the management of these two railways here and now, but please do not bang the door ; we shall float a company with British capital in India and make over the management.

I will read to the House the particular paragraph so that the members may know what was the attitude even then of Sir Charles Innes in spite of the report that I have read just now before the House. He says :

> "Let me repeat my syllogism. In the first place we are agreed that we have got to transfer the railways to Indian control as the contracts expire ; secondly we have failed to devise a satisfactory alternative to State management which alternative could be introduced within the time which is left to us before these two contracts expire ; and thirdly, we believe that by a period of direct State management we shall be able to carry out a really useful measure of grouping. But the Government are opposed to banging and locking the door, so to speak, against a return to company management."

In the debate on the amendment which Sir Hari Singh Gour moved Sir Charles Innes proposed to add,

> "but that efforts should be continued to concert measures with the object of handing over one or other of the two railways after such grouping as may be necessary to an indigenous company calculated to give India the benefits of real company management."

In his speech in reply to Mr. K. C. Neogy's motion, Sir Charles Innes said that he was not opposed to company management as the railways in other parts of the world were also company managed, including England. Sir Charles Innes is not present here. I would have told him, in answer, that India is not England. And what does he mean to say to that ? Is it State Capital with which the company managed railways are run in England ? It is their money ; it is their country ; surely it cannot be said about India that it is our India, it is our railways, which we do want ; but not that ; he said it was not our railways, but it was the State railways given over for management by companies with British domicile.

Now, Sir, in the Legislative Assembly the Honourable Member for Railways in making his budget speech last month referred to the buying up of two railway companies, the B. B. & C. I. and the A. B. Railways. He said :

> "I should like to make it clear, in view of possible misapprehension, that the Government of India have never accepted the view that every contract for the working of a State owned railway should be terminated whenever opportunity offers, irrespective of the merits of the case. Indeed, in the case of one of these railways, the previous option which arose in 1931, was not exercised, and all cases must be considered in the light of the advantages and disadvantages as they present themselves at the time."

Sir, he said distinctly that the Government policy is not to buy any railway ; he keeps the door open, because he anticipates that if he said that that was the policy, then owing to the demand that we are making he would be bound to take action. But he forgets that this demand was made in 1931 ; but that was the year of world-wide depression when there was no money to be found to buy the railways ; and that is the reason why the railways were not bought at that time, not the reason that he gives now that Government did not consider it prudent to buy them. It was because of the depression in 1931 they could not find the money, and that is the reason they bought them this year.

Now, what do we want, sir ? In the report of the Acworth Committee I find these five railways are state-owned but managed by companies ; the Assam-Bengal, Madras & Southern Mahratta, Bombay, Baroda & Central India, South Indian, and Bengal-Nagpur, because then the East Indian and the G. I. P. Railways were being bought. B. & N. W. Railway which is the subject matter of this Resolution and which this Federation desire that the Government of India should buy, cannot be said to be state-owned in the true sense of the word. The capital is furnished by the Company but the State have given a guarantee of a dividend, whether any profit is made or not. In the course of a discussion therefore which I had with a friend of mine in the Communications Department, my friend also told me that this railway would not come under the category of the Acworth Report, because the Acworth Report was concerned with railways where the State were the owners. My answer to that is this : 'True, that does not come under the Acworth Committee's report. But what I want the Government of India to understand is that the Acworth Report is now 20 years old.' What is India to-day ? We want Dominion Status. The Congress want even more—complete independence. Is India going to tolerate a company outside India, a British company, exploiting India's Railways ? The passengers are Indian, the goods that are carried are Indian. Is the nationalisation of Railways in India too much to ask for under these circumstances ? Why should not the Government buy these railways in the interest of India and the interest of Indians ? Have we not been often assured by Government that Railways do not exist merely for making profit but also for rendering service to the public ?

Sir, I move the Resolution which I have already read.

Lala Hari Shankar Bagla (U. P. Chamber of Commerce, Cawnpore) in seconding the Resolution said :

Mr. President, as a representative of Indian business interests of U. P. I desire to concern myself chiefly with the second part of the Resolution in extending my support to it. The case for acquisition of the B. & N. W. Railway and the R. K. Railway as a full-fledged state undertaking is at the moment as strong as it can be and I am half inclined to think that in putting forward a demand that the companies interests in the two systems should be acquired by Government by December 1942, we are probably urging on them a decision to the identical effect which Government of India have very nearly made. The first opportunity for the Government to take over the Bengal & North Western and R. K. Railways as full-fledged state-owned lines presented itself in 1931 when on the recommendations of a Committee of Legislature, Government chose not to exercise their powers of taking over the lines and entered into fresh agreements with the companies. According to this agreement, the next opportunity for acquiring companies interests presented in December 1937 when by a 12 months' notice, the Government could have taken over the system. By a resolution passed on the 11th February 1936, the Legislative Assembly asked of the Government of India to acquire the lines and although commercial opinion in strongest terms endorsed the demand of the Legislative Assembly the advice went unheeded and the opportunity of 1937 was also allowed to let go. The next opportunity for taking over the lines will present itself in December this year when by a similar 12 months' notice, it would be open to the Government of India to take over these systems. This opportunity I am tempted to describe as a very crucial one for if the Government of India by a feat of their perverse wisdom would again let go the chance of this year, the foreign dividend-eaters of these two railways will have a long and uninterrupted period of exploitation of Indian taxpayers for another 40 years. For, according to the revised agreement of 1931 if the lines are not acquired in 1942, they cannot be acquired until so late as 1981. The problem, therefore in regard to these railways is for all practical purposes now or never.

I may mention here that these so-called company lines are not strictly speaking company lines at all. The administrative units of the B. & N. W. and R. K. Railways comprise even the two state-owned railways, namely, Tirhut in the case of B. N. W. Railway and Lucknow-Bareilly in the case of R. K. Railway. The free working of these state railways as a part of company-owned systems was given as a present to the Directors of these railways sometimes in the eighties of the last century. The position today is that of the total gross revenue receipts of roughly 4½ crores, a good 50 per cent is contributed by these state-owned sections forming a part of these two railways, I anticipate a specious objection from certain quarters to the course we have just suggested. The acquisition of company interests in the two railways would entail a capital expenditure of £12 million or 16 crores of rupees in round figure. It would probably be urged that present is not the time when Indian money market should be tapped to the extent of 16 crores of rupees for the purpose of acquiring company railways. As I said, Sir, I regard this objection as only a specious one. The Indian money market will fully bear this strain of issue of 16 crores of rupees and if there was any time when we should scrape every farthing of new railway revenue without taxing the users of Indian railways, such time is the present. For, Sir, I calculated that with the companies interests acquired, our railway budget will benefit by near about 1½ crores and even if we allow for servicing charge of 16 crore loan and certain increase in working expenses consequential to the acquisition of the lines by Government, a net financial advantage of 75 lacs can be fully reckoned on. Can we, Sir, afford to throw away this good money by the Government not exercising the option of acquiring the lines in 1942. In February 1936 on the floor of the Assembly, the then Honourable Commerce Member referred to many fanciful difficulties in Government's deciding to take over these two lines. The only argument of weight to which he made a reference was that if B. N. W. Railway were to be acquired, it would probably be amalgamated with the Eastern Bengal Railway and the Commerce

Member foresaw serious adverse reaction to the revenue position of B. N. W. Railway resulting from unification of the rate structure of the two systems but I find that except in the case of raw jute, the chargeable rate of Eastern Bengal Railway and the B. N. W. Railway does not present any wide disparity. Nor can I rule out the possibility that the rate structure of the two systems need no be unified even though belonging to a comrade administration. These are points of details with which I do not wish to embarrass the House. The point is very simple whether should we not by a capital expenditure of 16 crores ensure additional net revenue of 75 lacs or whether we should fancy difficulties in the way of our doing so for another 40 years thus pampering the foreign dividend-eaters at the expense of Indian taxpayers. I am sure, the House will have one answer to return.

Mr. Hoshang N. E. Dinshaw (Buyers & Shippers Chamber, Karachi) :

Mr. President and friends, the previous speakers have dealt with this resolution so fully that there is practically nothing left for me to say much about.

One of the conditions of the contract for this Railway was that half the surplus profit over 6 per cent were to be payable to the Government of India, but this right for reasons unknown, was relinquished as from 1886, with the consequence that the Shareholders have been enjoying dividends ranging from 14 to 18 per cent and the price of the ordinary stock has fluctuated from £274 to £311. The question of the purchase of this Railway by the State arose first in 1931, but this option could not be exercised as at that time the economic blizzard swept over the world affecting India as well. You will remember, gentlemen, that about this time, England went off the Gold standard and nobody could foresee what would be its effect on the Finances of the various parts of the Empire. The Government of India, therefore, decided to defer the purchase and 1942 offers the next opportunity.

Now that these Financial difficulties have been overcome in the later years, it is upto the Government to devise means to buy all these company-managed railways. It is estimated, as was pointed out by Mr. Bagla, that the amount required to buy these railways is about 12 million Sterling. That is not beyond the financial capacity of the Government of India. I commend this resolution for your acceptance.

President: The resolution was put to vote and was carried unanimously.

***Mr. Kumararajah M. A. Muthiah Chettiar (Madras) :**

Mr. President and Gentlemen, I shall read to you the resolution which stands in my name. I first thought I would request you to take the resolution as read, but I feel that the resolution on Indians overseas is an important resolution, and that I will not be accused of having taken up your time by reading the resolution. The resolution runs as follows :

INDIANS ABROAD

(a) The Federation deplores the failure of the Indo-Ceylon negotiations and appreciates the stand taken by the Government of India in this connection. The Federation regrets that measures are now being proceeded with to deal with the question of immigration and registration, unilaterally and independently of the Government of India. The Federation sincerely hopes that the Ceylon State Council will even at this stage reconsider their attitude and will desist from adopting any measures that would lead to further estrangement between the two countries which are geographically, economically, and culturally bound together.

(b) The Federation trusts that in the trade negotiations between India and Burma which are now proceeding, adequate steps will be taken by the Government of India to safeguard the status, rights and interests of Indians in Burma.

(c) The Federation urges that India's Agents should be appointed in Fiji and British Guiana to look after the interests of the Indian population in those countries.

(d) The Federation earnestly hopes that the principle of equality of citizenship rights would be implemented in all parts of the British Commonwealth irrespective of race or colour and that the different Dominion and Colonial Governments would in practice treat every section of the permanent population inhabiting their territories in a spirit of equality and fairness.

Sir, the matter involved in this resolution is one of very great importance to India, and I am very glad that the Federation Committee have found it possible to place this resolution before this assembly. I would have been very happy if this resolution, as was originally intended, had been sponsored by our esteemed friend, Sir Purshotamdas Thakurdas to whom we owe a deep debt of gratitude for all that he has been doing on behalf of our unfortunate brethren in various parts of the world. I can assure you that I am but a poor substitute for him for proposing this resolution. I might have claimed to be the seconder or a supporter, but I am sure that if Sir Purshotamdas Thakurdas had been here he would have carried the House with him in what he would have said.

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* Speech not corrected.

One happy feature about this subject is that in India today there is no divided opinion. There is absolute unanimity of opinion with regard to our giving support for our Indian nationals abroad. Our Federation in its annual sessions has practically for the last 10 years been considering a resolution of this type, and we have been urging upon the Government of India time and again to give support to Indians overseas. But the problems are still there, if not more perplexing. They have now become more perplexing because of the intense national feeling that is growing in the various countries and because of the political institutions in those countries. Till now Indians in India and Indians in the foreign countries cannot be accused of retarding in any way the progress of the nationals of those countries with regard to their political emancipation. I am yet to find a Burman or a Ceylonese to accuse any Indian of that. That is a happy feature, and that is a strong basis for our claim that they shall not treat Indians in any way inferior to their own brethren. We say that we will even co-operate with them in all their endeavours to raise their position politically and economically. But they turn round and say: 'Though you do not oppose us with regard to our political emancipation, you are staying here and your economic interests come in our way.' What if we go and tell them that we have done so much for Burma and we have done so much for Ceylon that, but for our Indian capital and Indian labour either Burma or Ceylon would not be what it is. They immediately turn round in a second and say: 'Yes, you have been here; you have had your return.' It would probably be wise for us not to parade our own services and our contribution to those countries in the past. Suffice it to say, that due to our contribution we have built up very great interests in those countries. When I speak about those other countries, I request members to forgive me for I am not in a position to speak with more first-hand knowledge about the countries other than Burma and Ceylon. I am sure other speakers on this resolution will be able to enlighten you about the position of Indian nationals in other countries.

Now, if you take the population of Indian nationals in Burma, Ceylon and Malaya, they constitute more than 80 per cent of the total population distributed outside India, and in Burma a million and a quarter Indian nationals have been added to the population till 1933. And since the separation of Burma from India, the position has worsened. I shall not go into the causes of separation, but I shall only say that there has been anti-Indian feeling since 1937. You may have heard of the 1938 riots. I shall not mention the 1930 riots. After the 1938 riots, the Beaumant Committee reported suggesting reasonable compensation. Now we have been advised by the Government of India not to rake up the question of compensation and create bitterness about what has happened in the past. It has been said that it is desirable not to speak of compensation now, and probably we shall have to decide ourselves.

Then there have been minor pin-pricks by way of amendment of Municipal Act. Most of you who have been to Burma must know that Rangoon is becoming an Indian city, and now they want to reduce the number of Indian members in the Rangoon Corporation.

I do not want to take up the time of the House about a subject in which I am very much interested, namely the land problem of Burma. There was a Tenancy Act, you may have known ; and I shall only say this much about tenancy. The tenancy legislation (to which I was a party myself I agree, and to which the Burmese Ministers and the Burmese people gave a word of congratulation to me to having been able to persuade my community to agree), was passed. We have heard of tenancy legislation only in zamindari areas in India. It will be surprising to know that we have agreed to occupancy rights of tenancy in raiyatwari area in Burma. There is no zamindari land in Burma ; the entire land is raiyatwari ; and the Indian landowners have been very generous to agree to occupancy rights for the tiller of the soil. I do not grudge this concession ; we do not want to deprive the tenants of the benefits of their labour. I am only saying this. Under the guise of administering this tenancy law last year, the Government passed a number of orders, all in an arbitrary way, reducing the rents ; in many cases the rents were reduced by 50 per cent ; so that this year's Land Purchase Bill, which was already in the drafting stage, could go through all in favour of the Burmese people.

They at first wanted the rent to be reduced ; now once the land has been purchased, later on the values would be very much less, and that is the position now. I shall not take the House through the agitation of the Tenancy Act, and how the Government of Burma were forced to issue an ordinance. Now the Land Purchase Bill is before them with the ostensible purpose of acquiring land for the purpose of giving the land to landless peasants. It is a very good object ; but in the process the reasonable claims of Indians must be considered. We only want that the basis of compensation should be a reasonable one. That is the point which we have been urging upon the Government of India, and we hope that by this resolution we will urge once again the Government of India to take up the matter with the Government of Burma. Then again the condition of the Indian cultivator there is very pitiable. There are thousands and thousands of Indian cultivating tenants who have settled down in Burma for good, who have forgotten India ; and now, in the process of purchasing land from the Indian landowner, supposing a particular plot of land should be under an Indian tenant, there is no guarantee that the tenant would be continued under the new dispensation. As a matter of fact, a reasonable amendment moved the other day when the Bill was considered by the Government, to the effect that the Indian tenant-cultivator shall not be deprived of the land at least to the extent of 20 acres just to give a bare living, has not been accepted by the Burmese Minister. After all, the Indian cultivators could not have any racial feeling, they having settled there permanently, having forgotten India ; and why should they not be allowed to plough the land and have a living. That is the position now, and I can frankly tell you that I do not know what more is in store, except to pray along with all of you that our brethren in Burma will be allowed to live there in a reasonable and decent manner. It all depends upon the firm hand and the tactful hand of the Government of India, through the Secretary of State no doubt.

I shall mention now before this House at a time when the Indo-Burma trade relations loom very largely in the public mind that the political background, that the anti-Indian feeling should not be forgotten. Though we may not find the same problems that face those delegates who considered the Indo-Ceylon relations recently, though they are not present in an acute form so far as Burma is concerned, it should not be forgotten that such problems are there, and they are slightly hidden, and therefore they are not seen fully. Therefore it is necessary, as is pointed out in the resolution moved and passed at last year's session here, it is necessary that, while considering the trade negotiations, to discuss and come to an understanding with regard to the political status and the rights and privileges of the Indian community in Burma. In this matter I should say that the Member in charge of the Department, Sir Girja Shankar Bajpai, has, as we all know, an intimate knowledge of the problem of Indian nationals abroad for the last 20 years. We are very happy that he is now presiding over the Department, but this is a matter in which he alone cannot achieve friendly relations between India and Burma and between India and Ceylon. The relations between Burma and India and between Ceylon and India can be regulated and settled in a proper manner only in conjunction with the Commerce Department of this country. And I know how anxious these two Members are—Sir Ramaswami Mudaliar and Sir Girja Shankar Bajpai—with regard to this. I am sure that resolutions such as this, considered and passed by an august body such as our Federation, will go a long way to strengthen their hands. And I think it is necessary that, when we are considering the political problem of Indians overseas, we should also consider in conjunction with the political problem the trade relations between the two countries and India and put them both on a satisfactory basis. I have been listening here this morning to criticism of the Hon'ble the Commerce Member, at a time when, I think, we ought to encourage him. I think this is an occasion with regard to Indians overseas that we should say a good word—a cheerful word—about the two Members of Government who are ceaselessly watchful and who are trying to do their best for the Indian nationals abroad. (Applause). I am mentioning both the Members, particularly because I cannot differentiate or consider in isolation the commercial treaties with these countries and the question of the political rights of the Indians in these two countries particularly.

Before I finish, sir, with your permission I have an important suggestion to make, and I am fortified in making that suggestion because our worthy President in addressing us this morning has already mentioned the matter and that is, that he has very rightly given the lead in doing so, that this House should demand of the Government of India the appointment of a High Commissioner for India in Burma ; not only a High Commissioner, for his work is of so much importance that he cannot cope with the work unless he has two Commissioners with him ; and I can assure you that, unless a person of high eminence is placed as the High Commissioner with a properly equipped office, he cannot be of any service. I would even go further and suggest that if Government would ask for a subscription from the Indian community there, they would be very glad to meet the cost of a properly equipped office there. And I should be the first person to rejoice in seeing an India House in Colombo and in Rangoon, and the Indian Agents' position in these two countries should be of supreme importance ; the Indian Agent should be the person next to the Governor of Burma or the Governor of Ceylon ; otherwise there is no good. He should be in a position to negotiate between the Indian community on the one hand and the Burmese or the Ceylonese Minister on the other hand. Indeed, much of the difficulty that has been experienced during the Indo-Burma trade relations would have been solved by the High Commissioner. Unfortunately we do not have a High Commissioner of India. But in spite of that, I am perfectly certain that, if there was a High Commissioner with a high status, he would have been of far greater help to the Government of India in this matter.

Now, sir, with your permission I shall get on to a little more controversial question, the question of Indo-Ceylon relations. Ceylon is the burning question now. I reserved it for the latter portion of my remarks in the hope of securing your full attention to it. In speaking of Ceylon also, I shall not here describe to the members of the House our contribution and how the waste lands of Ceylon have been created into the green tea estates and how the export trade of Ceylon has increased, how the wealth of the country has increased, and how the people in Ceylon are happy thanks to our contribution and all that. Everybody knows these facts. But the unhappy feature of the situation is that during the last five years there has been a series of anti-Indian legislation, one on top of another. The latest of this anti-Indian legislation is the all-comprehensive measure that the Ceylon Ministers want to enact. We all remember in 1936-37 we had the Village Community Ordinance. There was an agitation ; and as a sequel to the agitation, the Ceylonese Government removed the franchise of the Sinhalese people. But let us not forget then we had the repatriation of the daily-paid labourers last year and in spite of the repeated requests and advice of the Government of India the Ceylon Ministers went through their programme. Now, again, they came here on a delegation in Madras ; we had a big public meeting under the auspices of all the political parties at which my esteemed friend Mr. C. Rajagopalachariar and others took part. I was also one of them, and we all gave them a good cheer, very much hoping that they will return from Delhi after a successful conference. Unfortunately it was not to be. And the reasons why the Conference was a failure have been comprehensively explained in a very short Press Communique by the Government of India. The case has been put in a nutshell. The Ceylonese case is that they would give full citizenship right to a person of the third generation. If one's grandfather could prove to have domiciled in Ceylon, then the grandson could claim to have full citizenship right. I shall not say anything more than describe this as the grandfather and grandson's story. The Indian case is that there should be a prescribed time-limit ; that is, if one has stayed there for five years and if one could prove permanent interests in the island, he should be given full citizenship rights. It is a very simple and a reasonable demand, and this has not been agreed to. Once the fundamental principles have not been agreed to, and once they differed on this point, the talks came to an abrupt end. I shall only say that hard words will not move the Ceylonese Ministers now, and a body of businessmen like ourselves, who have always been reasonable in our demands whether of the Government of India or of any other foreign government—as a matter of fact our resolution is a very dignified and a simple resolution, inoffensive, it does not contain any harsh words—a body of businessmen like ours can only hope that this resolution will go to heart of the Ceylonese people, and that they will respond to you. I shall only conclude about Ceylon by reading the concluding few lines of the Press Communique of the Government of India published on February 11 with which we would all agree and to which we would subscribe whole-heartedly :—

> "The desire of the Government of India that relations between the two countries should be placed on a firm basis of friendship and co-operation has in no way diminished and should a prospect of a resumption of negotiations with greater possibilities of success appear in the future they will be found ready to take advantage of it."

Let us hope that in the near future it will be possible for the statesmen of both countries to meet together once again, and let us hope that it will not be beyond their wisdom to evolve a scheme acceptable to both the countries.

Sir, with regard to the other part of the resolution, I need not speak much. We have demanded Indian Agents to be appointed in Fiji and British Guiana. I know many members of the House have many other suggestions to make with regard to the appointment of Agents in other countries where there are at present no Indian Agents. I myself have got to suggest one; it is with regard to Indo-China. There is no Indian Agent there to report to the Government of India what is happening there. I do hope that the Government of India will see their way to send some Assistant of the Department to Indo-China in the near future at least to enlighten India as to what is happening there. There may be other countries where Indian Agents are required to be appointed. By giving these two names only—the list is not exhaustive—we urge upon the Government of India to send Agents to almost all places as early as possible.

I come now, sir, to the last point, part (d) of the resolution, which says :—

> "The Federation earnestly hopes that the principle of equality of citizenship rights would be implemented in all parts of the British Commonwealth irrespective of race or colour and that the different Dominion and Colonial Governments would in practice treat every section of the permanent population inhabiting their territories in a spirit of equality and fairness."

It is not an irony of fate with regard to Indians overseas that, while we find more than 80 per cent or nearly 90 per cent of the Indian national settlers abroad settled in British Empire territories, that we have got to ask for this right and for that right, and for ordinary citizenship rights. I can understand if such rights are refused by the American or the French Government; but, under the British Empire, when we talk of the Union of the Commonwealth of British nations, when we come to the question of the rights of the Indians in various parts of the Empire, we have to ask that our Indians, wherever they are and particularly in the British Commonwealth, that they should be given equality of citizenship rights. You may have seen recently, about five or six days ago, our eminent friend the Rt. Hon. V. S. Srinivasa Sastri, speaking in Madras on Imperial Citizenship, said that today there is no such thing as "Imperial Citizenship". He is perfectly right. We have no such thing at all today. That is the position in which we are, and we are quite justified in putting this part of the resolution in our deliberations. And we hope that in the years to come it will be possible for the Government of India to achieve, to secure Imperial citizenship from one country after the other.

Mr. President, Sir, I hope that the other members will be able to speak with authority about this subject, and I request them to forgive me for speaking at length about these two or three countries and for not touching on other countries. With these words, Sir, I commend the resolution for the consideration of the House. (Applause).

The Honourable Rai Bahadur Lala Ramsaran Das (U. P. Chamber of Commerce, Cawnpore) :

Mr. President and brother delegates, my honourable friend, the Kumararajah, has spoken in detail upon the subject-matter of the resolution. As a matter of fact, we feel proud of persons like his noble father who have invested their money abroad and thus got many colonies properly developed. India feels proud of such persons. He has also told you what has happened in Burma and in Ceylon. We have been agitating for the appointment of Agents in various colonies, particularly about British Guiana and Trinidad. As a result of our agitation, I understand that Government recommended the appointment of an Indian Agent at Trinidad and British Guiana in the West Indies. Last year when I had the pleasure of speaking on this subject, I told you that in Trinidad, the laws were such which were giving a lot of grouse to Indians. For instance, I may say that, unless the marriage of a Hindu was registered, his progeny was considered illegitimate. So much so, that many properties did not pass to the sons or the daughters of people who migrated and settled there. Constitution of West Indies was referred to a Royal Commission for Report. I join with the Kumararajahsahib in the sentiments he has expressed with regard to Burma and especially Ceylon and in the tributes which he paid to the work performed by Sir Purshothamdas Thakurdas and also the present Hon'ble Member of Government who deals with the subject of emigration and of Indians overseas. I must say that in these days of war, a satisfactory solution should be found of the problem of the relations with Ceylon. Notwithstanding the efforts made by the Government and the Indians, the Ceylon Ministers have not come to any reasonable terms so far, and they are still obstinate. I know that in these days of war, when we should be one in our purpose, we do not want to estrange feelings ; otherwise retaliation is the only best policy which can solve such problems. A few years back, I presume all of you know what happened in Zanzibar. The Government of India took firm stand on the matter of import of cloves which was satisfactorily solved. In these days of war, we ought to give a little time for the Ceylon Ministers to come to their senses. We do not like to offer retaliation, but in case retaliation is offered, Ceylon will find itself in a very difficult situation. During the war they will not be able to get sufficient clothing. Their produce cannot find a market in their own country ; they have got a surplus of exports, and on the exports they mainly live. My information is that there is no land revenue in Ceylon. The Government of Ceylon is run by export and import levies and by taxes of all sorts. But I would say that, as the beginning of breaking of friendship has been made by Ceylon, in case we adopt a retaliatory policy, Ceylon must come to its senses.

Now, Sir, I come to the point of differential treatment. The whole world now is crying for democracy and for universal brotherhood, and those countries which are advocating this are not following it in practice. I would urge that strong measures should be taken by the Government of India soon after the war to ensure that equal treatment is given to Indian nationals abroad. Unless that is done, we cannot achieve the object of democracy and universal brotherhood. With these words I give my support to the resolution, and I hope that the Government of Ceylon will soon realise the danger that they are to face by falling out with India, and I hope His Excellency the Governor of Ceylon will not give his assent to any official measure which the Government may pass.

Mr. Lalji Mehrotra (Karachi Indian Merchants' Association): Mr. President, I find that a large majority of delegates present here can easily follow Hindustani. I therefore make bold to seek your indulgence for speaking in Hindustani—our National language and I take it that the same is granted.

*Our esteemed colleague Kumararajah Chettiar of Chettinad, the mover of the proposition has mentioned the fact that he has to sponsor this resolution in the absense of one whom he considers to be far more worthy of being entrusted with such a task. It is a strange coincidence that in supporting the proposition so ably moved by him, I am in a position to act as an honest second by joining him even in the above preliminary statement in as much as

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* Brief summary of the Speech delivered in Hindustani.

I have been called upon to fill in the gap caused by the absence of my worthy predecessor Seth Shivrattanji Mohatta. The mover has dealt at length with the problems of Indians in the different countries within the British Empire. He has so ably dealt with that part of the subject that anything that I may say is bound to involve repetition of his arguments which would be unwise to do. As for the Hon'ble seconder of the proposition Lala Ramsarandas, I had not the benefit for hearing him, but he is a great man and I am confident that whatever he has said must be full of wisdom. If however through ignorance, I repeat any of his arguments, I trust the House would be generous enough to pardon me.

Looking at the wordings of the resolution, I was wondering why the framers have apparently limited its scope to the countries within the British Empire. Surely they are not under the impression that in other places in the world, the treatment we receive is what an honest citizen of any self-governing country can expect. For, there is no dearth of places even outside the British Empire where Indians are treated as helots. The reason soon became clear to me. It is one of the commonly accepted principles of life that unless one is treated fairly in his own house, he can seldom look for better treatment elsewhere. If the position of our countrymen is far from satisfactory within the British Empire, it inevitably leads to similar conditions in countries outside the commonwealth. If we could remedy things within our own home, an improvement elsewhere will inevitably follow.

It however gives me great pains to observe that conditions in this behalf in some non-Empire countries far from improving have been steadily deteriorating. In the United States of America, we have of late been gradually losing ground and the situation needs immediate attention. Unless we do something to arrest the downward march, the situation will soon become extremely intolerable for our countrymen there. The immigration restrictions introduced in that country in about the year 1924-25 were originally intended to prevent the influx of the Japanese in the States. The people of the Aryan origin were exempted from its operation and the Indians were classes as belonging to the Aryan race. This lasted for some time until it was given to a judge of Welsh origin to evince his contempt for the race over which his brethren rule by holding that the immigration rules apply as much to Indians as to any other coloured people be they yellow or brown. The judgment which he gave on this occasion is classical for its utter disregard for logic and reason and is an instance of the limit to which a judge can allow his racial and political prejudices to interfere with an honest and fair discharge of his duties.

That notorious judgment sealed the fate of our countrymen in America. The land of California whose aerid deserts were turned into green and smiling orchards by the sweat of Indian labour is now the grave of their hopes and aspirations. No Indian unless he was there before the passing of the immigration laws can acquire any landed property in the States. Probably this disability applies even to those who had settled before that date ! No Indian except the early settlers is permitted in the first instance to stay in the States for more than six months at a stretch. This permission can be extended to further period of six months but in practice it is seldom renewed more than twice with the result that even the established Indian firms if they import their confidential staff (who may be even the sons of the proprietors) have to send them out of the States after the expiry of such periods of permission in order to comply with the requirements of the Law. The disgraceful case of a Gujrati merchant of New York who having married an Indian girl in America could not be allowed to keep his wife permanently in the States on account of immigration rules caused deep resentment among the Indian settlers. Owing to fear of reciprocity the laws are not made applicable to the Indian students and missionaries (although in the former case the permission is hedged in with great limitations) and the lady before she married was living there as a student. The position was so obviously scandalous that the authorities had to arrange for keeping up of the fiction and the lady continued to be on the roll of students. But for the gentleman, this involved a journey to Washington at the end of each six months and the usual interviews and appeals. The most amusing part of the story is that while the mother could not be permitted to stay for more than six months at a stretch, their son born in America became an American subject and had either to part with his mother or to be provided with the usual passport to let him be with her whenever she had to leave after the expiry of the permit period. Mr. President, the most disappointing part of the episode is that the British Ambassador in Washington who is entrusted with the task of safeguarding our interests in that country did precious little to lighten the burden of our countrymen. On the contrary I make bold to say that he is generally believed to cause obstacles in their way. It is therefore gratifying to note that the Government of India have appointed a Trade Commissioner in New York. But until this functionary is given some powers and the status of a diplomat on behalf of this country, he can do little to remove their basic difficulties.

Sir, it is regrettable that by the clever machinations of interested people who are in a position to influence the interpretation of laws, we are defrauded of even such privileges as are conferred upon us by the laws of the States. The number of immigrants which each black-listed nation is allowed to send to the States each year is fixed down in her trade treaties with the States. But in the absence of any such treaties, the quota for each country is limited to one hundred. You will be surprised to know that in the case of India, the law is so interpreted as to include within this figure people belonging to England and other European countries who claim either their abode in this country or any connection with her. We are thus deprived of even what is our due under the unconscionable laws.

Mr. President, the life of our countrymen abroad is nothing short of a string of miseries and any effort to relieve them cannot be too great. For these reasons, I offer my heartiest support to the proposition.

* **Sirdar P. S. Sodhbans** (Indian Chamber of Commerce, Lahore), delivered his remarks in Hindustani:

Sir, just now Mr. Lalji Mehrotra has stated about the plight of Indians in the United States. The Indians in this country are admitted under a very old and antiquated convention of 1815 between Great Britain and United States and they are not allowed to stay in that country for more than six months whereas Americans enjoy free entry and unrestricted residence in this country. Under the circumstances the Indians cannot carry on business in U. S. A. unhampered. It is desirable that the Government of India should have a direct trade treaty with the Government of that country in order to safeguard the Indian interests. No doubt we have a capable and competent Indian Government Trade Commissioner in New York but the real function of the Indian Government Trade Commissioners is to collect trade statistics beyond that they cannot help Indians as they have no diplomatic status and, therefore, it is essential that the Indian Trade Commissioner's should have a status as consuls in the same manner as the Indian representatives at Jedah and Muscat are holding, so that they may be in a position to approach the local authorities direct. The episode of Mr. Das Gupta's arrest in Hamburg (Germany) is still fresh. Both the Indian Trade Commissioner and the British Consul were unable to help him. It was mainly due to the efforts of Dr. Ganguly, the Representative of this Federation in Germany, he was released. We do not want that similar episodes should be repeated again and so we must bring a great pressure on the Government to accede to our this request for the grant of diplomatic status to the Indian Trade Commissioners.

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* Brief summary of the Speech delivered in Hindustani.

With these words I support the Resolution.

President: Gentlemen, Resolution No. 8 has been duly proposed, seconded and supported. I put it to your acceptance.

The Resolution was put to vote and carried unanimously.

President: I propose to adjourn now, and I believe all of you have got invitation cards for this evening's function at Sir Shri Ram's residence and also for the Evening Party to meet Sir Shri Ram tomorrow at 5 p.m. at the Federation grounds. I therefore adjourn the meeting until to-morrow, 10-30 a.m., when first we shall take up the Employers' Organization business, the National Committee, and then commence our own business.

The session adjourned till 10-30 a.m. on Sunday, the 23rd March 1941.

SECOND DAY'S PROCEEDINGS

SUNDAY, 23rd MARCH 1941, MORNING SESSION

The Annual Session of the Federation resumed its sitting at the Old Assembly Hall, at 11-30 a.m., with the President, Mr. Amrit Lal Ojha, in the Chair.

Besides the delegates representing the Member-bodies and Visitors, there were present on the second day of the Session the Honourable Mr. Hossain Imam, Mr. Akhil Chandra Datta, M.L.A., Dr. Sir Zia Uddin Ahmad, M.L.A., Raja T. Manavedan of Nilambur, M.L.A., the Hon'ble Mr. Shantidas Askuran, Dr. P. N. Banerjea, M.L.A., Mr. Hooseinbhoy A. Lalljee, M.L.A., Mr. Abdur Rasheed Choudhury, M.L.A., Babu A. N. Chattopadhyaya, M.L.A. and Mr. M. V. Venkateswaran (of the League of Nations, Indian Branch).

President: Now, gentlemen, we resume our business. If you will, we may distribute the voting papers, to be returned before the lunch time and then we resume our business. Then, I have got to make some announcements. Lala Hari Shankar Bagla withdraws his candidature.

Mr. H. S. Bagla: As I have given my name in two constituencies, I withdraw from unspecified trade and unspecified industries both.

President: Mr. Narasimha Rao from Andhra Chamber of Commerce also withdraws his candidature for Honorary Treasurership and also from unspecified trades. So in the case of the honorary treasurership, only Mr. Sarker remains, and there is no contest.

Hon'ble Rai Bahadur Lala Ram Saran Das: I should like to withdraw, Sir.

President: Hon'ble Rai Bahadur Lala Ram Saran Das also withdraws his candidature. So Mr. Kasturbhai Lalbhai is the only candidate for textile mills—so he stands elected.

Mr. J. J. Kapadia: Mr. President, I do not follow exactly what you have been saying. For textile mills there are three candidates ?

President: Diwan Bahadur Ratnasabapathi Mudaliar has already withdrawn, you will find that in the voting papers. For industries,—not specified,—Mr. Hari Shankar Bagla withdraws.

Under other interests, not specified, Mr. Begraj Gupta also withdraws his candidature.

Now the position is this, that there is a contest only in the case of unspecified industries and unspecified trades seats. In the case of unspecified industries, there are three candidates,—Mr. Hoshang N. E. Dinshaw, Sardar Inder Singh and Diwan Bahadur Ratnasabapathi Mudaliar.

Mr. Padampat Singhania: Sir, Sardar Inder Singh has asked me to withdraw his name.

President: Sardar Inder Singh, I am told, now withdraws his candidature. So there are two candidates.

Mr. J. J. Kapadia: I propose that you announce these withdrawals after the voting papers are issued. Then we shall be able to follow these more intelligently. If you will request members not to make marks until all the voting papers are issued, that would be much better ; otherwise it will make confusion worse confounded.

Sir A. H. Ghuznavi: No one should make marks until you have announced the withdrawals.

President: We have issued some voting papers and you will kindly not vote again until I tell you the position.

HONORARY TREASURER

Mr. N. R. Sarkar is declared elected as the other candidates have withdrawn from the contest.

TEXTILE MILLS

Mr. Kasturbhai Lalbhai is declared elected as the other candidates have withdrawn their candidature.

TEA, COFFEE AND RUBBER PLANTATIONS

Mr. D. C. Ghose is declared elected as the other candidate has withdrawn.

OTHER INDUSTRIES NOT SPECIFIED

Only two candidates are left for election, namely Mr. Hoshang N. E. Dinshaw and Diwan Bahadur C. S. Ratnasabapathi Mudaliar. The other candidates have withdrawn.

OTHER TRADES AND COMMERCE NOT SPECIFIED

Only four candidates are left for election, namely Hon. Sir Rahimtoola M. Chinoy, Lala Gurusharan Lal, Mr. Khimji Shamji and Sir Purshotamdas Thakurdas. The other candidates have withdrawn.

I may inform you that from one province not more than two gentlemen should be elected.

President: I have got to announce two other elections which are uncontested. Mr. Chunilal B. Mehta is elected President. (Applause.)

For "Mining Industry" Mr. Amrit Lal Ojha being the only candidate was declared elected.

One Member brought to the notice of the President that some of the delegates might have recorded their votes in favour of three persons from the same province and he wanted to know what would happen to those voting papers.

Sir Shri Ram: It is only in the case of election there are three candidates from the same province, that is Bombay. So far as Lala Gurusharan Lal is concerned, he will be declared elected as he is the only candidate from outside Bombay. Out of the three remaining candidates, delegates have to choose two only.

One Member remarked that the announcement made by the President should have been done before the distribution of the voting papers and before some of the delegates recorded their votes.

President: I requested delegates not to exercise their votes before I made the announcement. I think my announcement was given in sufficient time. There can be no misunderstanding.

Mr. Gaganvihari L. Mehta (Indian Chamber of Commerce, Calcutta) : Mr. President and gentlemen, the Resolution which I have to submit before you reads as follows :—

CO-ORDINATION OF WAR SUPPLIES IN THE EASTERN GROUP COUNTRIES AND THE ESTABLISHMENT OF EASTERN GROUP SUPPLY COUNCIL

(*a*) In the absence of any knowledge regarding the conclusions reached at the Eastern Group Conference, the Federation wishes to give expression to the anxiety entertained by the Indian commercial community with regard to their likely repercussions on the establishment and development of Indian industries, and

trusts that the programme laid down by the Conference would not in any way compromise or jeopardise India's economic interests.

(*b*) The Federation notes the establishment of the Eastern Group Council in India for co-ordination of arrangements for production and supply of munitions and stores in various Empire countries east of the Suez and wishes to impress strongly upon Government that such programme of co-ordination should not preclude India from establishing or developing any industries and, particularly, Key and Engineering industries, in this country.

(*c*) The Federation has to stress that in any programme of utilising India's resources and building up important industries, in pursuance of the programme laid down by the Eastern Group Council or the Roger Mission, Government should see that the capital, control and management of such enterprises remain in the hands of Indians.

(*d*) The Federation suggests that the representative of the Government of India on the Eastern Group Council should remain in active contact with representative Indian commercial opinion and should consult it from time to time in regard to the practical measures to be adopted in pursuance of the policy laid down by the Council.

The Resolution is a very comprehensive one and really explains itself, but I shall try and deal briefly, or as briefly as I can or as you will permit me, with the several important issues raised in this Resolution. The Eastern Group Conference, as members are aware, was held in the third week of October in Delhi and lasted for about three or four weeks and comprised all countries constituting the British Commonwealth to the east or south of the Suez. The object of that Conference was to co-ordinate supply and production of munitions—and munitions in a very broad sense of the term—in all those countries as a part of the war effort. We should have thought that in a Conference of this character the first thing that the Government of India should have done was to consult a body like the Federation of Indian Chambers of Commerce, should have consulted representative commercial and industrial opinion, because it is inconceivable how there could be any such industrial effort for war purposes without the co-operation of industrial interests. Nevertheless, the manner in which the association of non-official Indian commercial representatives was secured was, as you yourself pointed out yesterday, far from being happy. In the first place, the non-official Indians were appointed on the very eve of the Conference practically as a sort of grudging concession, and the report goes, whether true or untrue, that it was Sir Alexander Roger who pressed for the appointment of even these non-official Indian representatives. These non-official representatives who were there were appointed in their individual capacity and not as representing any Indian organisation. No doubt in the case of some of the representatives that the Government of India appointed the nominations were unexceptionable so far as the personalities were concrned ; for example, from this Federation itself we had two ex-Presidents, a distinguished industrialist like Sir Sri Ram and the present President of the Federation, as well as our esteemed colleague Sir Abdul Halim Ghuznavi. But that is not the point. The point is that these gentlemen were not elected or nominated by the Federation and it is regrettable that this is part of the tendency which the Government of India have recently shown of ignoring a representative body like the Federation of Indian Chambers of Commerce in such matters.

Again, Sir, if reports speak true,—in the case of those who are with us here their lips are naturally sealed in this matter,—the status and privileges accorded to the non-official representatives in this Conference left much to be desired, and they were not associated as fully, as adequately, as they could have been in these deliberations. And before the Conference concluded they were given a send-off with a polite letter like unwelcome guests and asked to go home. Sir, a wag remarked that they were associated during the fact-finding stage but when the stage of fiction writing began they were asked to go home. Now this Conference terminated as early as the third week of November. Nevertheless the public are entirely in the dark as to what has happened, what have been the conclusions of this Conference, what are the recommendations that this Conference has made to the constituent units of the Commonwealth or the constituent members who comprised this Conference ; and all that we know is that the Conference has led to the establishment of the Eastern Group Council to which I shall refer a little later. The only report that was published in the papers was that the Conference examined all the resources of these countries, and had laid down some sort of a programme which the Roger Mission is going to survey also in its turn and make its recommendations to the Government of India. But, Sir, are not the public of India entitled, is not the taxpayer of India entitled, is not this Federation of Indian Chambers entitled, to know what the programme is that the Eastern Group Conference has laid down and what is the programme that the Roger Mission is going to implement ? And are we not entitled to know what are the financial commitments involved in the decisions of this Conference and what are the commitments that the Government of India have made ? Is this programme in any way restrictive in character ? Does it preclude India from developing any industries ? Sir, in the course of conversations in the Chambers of Commerce, Honourable Members have said that the programme is not negative in character. We have to accept their assurances no doubt but how are we to know ? I know that the retort is easy that this is war and the programme cannot be divulged to the public. Sir, war can cover also a multitude of sins. Even in England where the position is so much more critical, where the Government is a national government and responsible to Parliament, secret sessions of Parliament are held in order to acquaint the Members of Parliament with the position. And here not an irresponsible agitator but a distinguished man like Sir Tej Bahadur Sapru says that the Government of India have never been more completely isolated from Indian public opinion. Yet this Government is not even prepared to take Indian public opinion into confidence in such a matter. Sir, bitter as the thought may be, some of us at any rate cannot help feeling that the Government of India or the British Government want our money, materials and men but they are not prepared to accept the intelligent and self-respecting co-operation of the Indian people. Is it not natural that the people should have some misgiving in their minds that there is something ulterior in this matter which is concealed from them ? Is it not possible for Government to remove those misapprehensions from the public mind ? Sir, these misapprehensions have been in existence from practically the very start of the Conference or rather even before the Conference commenced. Sir Walter Massey-Greene, the Australian delegate to the Eastern Group Conference, in a statement which he issued soon after he landed in Calcutta, stated :

> "It is manifestly unwise in time of war for one part of the Empire to start some war industry *de novo* if another part has so far passed the stage that it can supply the needs of the whole by the extension or development of its existing resources. That is simply a waste of time and effort."

We in this Federation, and if we are allowed to speak on behalf of the people of India, the Indian public cannot accept this position or the assumption underlying this position. We have always wanted to establish certain basic and key industries in this country. We have always aimed at India being self-reliant economically and industrially; and we cannot accept the position, we cannot accept this dictum, that in the name of co-ordination, in the name of avoiding overlapping, in the name of avoiding duplication, we should not be allowed to develop our own industries. Sir, before the war when there was any proposal of industrial expansion or development, the common objection was that Indian industry cannot manufacture at competitive rates or that continuous spoon-feeding leads to inefficiency or that India has not a sufficient market, or that the burden of protection is very high or that protection ceased to give revenue to the Government of India or that there are certain criteria of the Fiscal Commission which are not being satisfied by this industry or that. And now we are told that during the war it is war exigencies which should take precedence over everything else and they should determine the priorities not only in respect of India but in respect of all countries lying within the British Commonwealth. The result, whether in war or in peace, is the same. The premises may be different, the arguments may be different, but the conclusion is the same that neither in peace nor in war can our own industrial interests claim development of their own right but they should be subordinated to some extraneous considerations and this is a position which we cannot accept. It comes to this that we cannot build aircraft because Australia has got it, and we cannot build ships because Australia and Hong Kong can build ships. As Mr. Santanam said in the Legislative Assembly, all that we can do now is to have groundnuts and oil-seeds and leave these things to the other parts of the Empire. Sir Bertram Stevens, the representative of Australia on the Eastern Group Council,—and here I would say that it shows the importance which Australia attaches to this Eastern Group Council that they have appointed a man of cabinet rank to this Council—Sir Bertram Stevens when he landed in India the other day said in an interview "We are going to be the arsenal of the South Pacific." Let me say with all respect that we are not prepared to become the granary of the British Commonwealth. In this respect, Britain's war needs coincide with India's opportunity. Britain's war requirements are the same today as India's interests and if even in such a matter there is not enough or adequate co-operation, then surely it is not our fault. The lesson of the last war has not been learnt. It took the Government of India 25 years and two wars in one generation to realise the utility of industrial and scientific research : it took the Government of India 25 years and two wars in one generation to realise the potentialities of Indian industries : they are only now admitting what India is capable of manufacturing. Surely, we cannot guarantee or arrange for another war after ten years for the education and enlightenment of our masters and rulers. We at least hope that we shall not ignore the lessons of this war now.

The second part of the Resolution says about the danger of co-ordination, that it should not preclude India from establishing or developing any key or vital industries. It is argued that in this period of war, war exigencies should take precedence over everything else. We are prepared to meet them even on that ground. After all, is it prudent that one part of the British Commonwealth should depend for its vital supplies and its essential materials upon another part even of the British Commonwealth, which is situated at a great distance in these times of shipping difficulties, in these times when the war can be fought on different frontiers ? Leaving alone the interests of India, which should be our primary concern, is it not essential even on the assumption that they make, is it not for the sake of war itself that this criteria of Sir Massey Greene should not be accepted ? After all, the one strategic advantage that the British Commonwealth has over Germany is that its centres of production can be distributed all over the world, all over the globe ; and if the British Government had been far-sighted enough, they could have allowed the development in India also of Indian industries such as aircraft and shipbuilding and heavy chemicals and so forth, which could have naturally assisted them during the period of war. But leaving apart what happened before the war, let me say how even during the present war, Australia and Canada have developed their industries. When the war began, there was only one shipyard in Australia—today there are 7, and ships are being built in nearly every state of Australia with state assistance. All such ships are manned by Australian officers and Australian ratings, and something approaching mass production has been aimed at. This industry has developed so much there that now they are prepared to be completely independent of Britain in regard to machinery ; and I do not know if the House is aware, but the ships for the Royal Indian Navy are built not only in the United Kingdom but in Australia, the Federal Government have decided to build 48 naval patrol vessels ; and as many of you might have seen in the papers a few weeks ago, they had a new programme of £6 millions for a shipbuilding programme as part of the war effort. In Canada, again, the number of men employed in shipbuilding has trebled even during the period of the war, and nearly 14,000 men in 24 yards are employed on the east and west coast of Canada, and Britain is ordering its merchant vessels and even its destroyers from Canada. On the other hand, so far as India is concerned, we are in a position where the British Admiralty, the British Board of Trade and the Controller of Shipbuilding in England are all far from favourable to the development of shipbuilding in this country ; and Sir Alan Lloyd, the Commerce Secretary to the Government of India, said in reply to a question of Pandit Kunzru in the Council of State that the Government of India cannot agree to encourage shipbuilding in India as part of their war effort. Nevertheless in the elaborate and expensive Supply Department at Calcutta, there are two officers called the Director and Deputy Director of Shipbuilding. When I saw this board, I was reminded of the common joke in Europe about the Swiss Minister of the Navy. Switzerland being an inland country surrounded on all sides by land, there is no navy there, but still there is a Minister for the Navy in Switzerland. Director of Shipbuilding in India reminds me very much of the non-existent merchant shipbuilding in this country. Before the war a German asked a Swiss "How is it you have no navy and yet you have a Minister of Navy ? ", and the Swiss retorted "But then you have a Minister of Justice in your country." (Laughter). I say that if in this country, we can have a Defence of India Act for the defence of India, we can certainly have a shipbuilding director without any merchant shipbuilding.

To turn for a moment to aircraft, Canada today is producing 12 aeroplanes daily, and Australia two planes daily. The number of machine tool factories in Australia has increased from 5 at the commencement of the war to 75 now, and very soon by the middle of this year Australia will be exporting trainer aircraft to India, Burma and the Dominions.

I do not wish to deal with the question of financial commitments that might be involved in the Eastern Group Conference decisions. Soon after the Eastern Group Conference met, the Committee of the Federation of Indian Chambers addressed a comprehensive communication to the Government of India on this subject. But I would only say this : that placed as we are constitutionally *vis-a-vis* His Majesty's Government, it is evident that while the Dominion Governments will be free to accept or reject whatever recommendations of the Conference they like and they would be free to accept or reject any financial burdens they choose, the Government of India would not necessarily and naturally have the same freedom.

Now the Eastern Group Council has been appointed as a result of this Eastern Group Conference. Mr. Hasan Imam said in the Council of State once that the Government of India think that the speediest action sometimes is inaction. For instance, when it came to a question of a War Advisory Committee it has been unborn after one and a half year of travail. But the Eastern Group Council has been appointed. The same mystery surrounds the Eastern Group Council as surrounded the Eastern Group Conference. Nobody knows what it is going to do and what its functions are. Only the other day—in fact yesterday—for the first time the veil was slightly lifted and a special representative of the *Statesman* was given an interview on this subject. I should only like to say this : that in the first place, we have to see that in the name of this empire co-ordination we do not again have our old friend, imperial preference of some sort, or some sort of empire co-operation in a new garb, if you like a soldier's garb, for the purpose of the war, in which the Dominions and the Colonies will get an advantage over India in the name of co-ordination and on the plea of co-operation. There is this also, that the interests of the Government of India should not, as I said, be subordinated to those of His Majesty's Government or of the dominions in this respect. It is evident—and those who are leaders here and experienced businessmen will be able to read between the lines, an observation like this in the *Statesman* :

> "Judged by the spirit with which the various members of the Supply Council have approached their task, it is clear that there will be no haggling over who will have which order."

That means from our experience that there will be haggling—you have to invert what is said.

This feeling was summed up admirably by the Australian delegate when he remarked :

> "We do not come to this organisation for the purpose of securing additional trade : we come here more to give than to take."

Sir, you can understand what this means exactly, without any comment from me.

The danger is very obvious that it behoves the Indian representative on the Eastern Group Council to see that India's interests are not jeopardised in any such matter.

We are aware of the fact that this Eastern Group Council has to be in its present functioning a separate body, but it is necessary to see that it does not develop into an extra-constitutional machinery, either responsible to His Majesty's Government or responsible to nobody, but a body which is autonomous and independent and which can interfere in our industrial activities or in any way checkmate them.

I need hardly say anything much about the Roger Mission, because since this Resolution was drafted, Sir Alexander Roger has left the shores of India after giving an interview. In the old days before Hitler brought forward his new order in Europe, we were all inundated with commissions and committees. In the new order we are inundated with missions—we have got trade missions, goodwill missions; and the Roger Mission which was sent by the Supply Department of His Majesty's Government really grew into some kind of independent machinery—it was thought they were experts who came here to speed up the whole machinery of the Government of India so much so that a wag remarked that it might well be called a Ginger Roger Mission because he had to ginger up the Government of India. It had almost become an autonomous body and there was a real danger of its interfering in the normal activities and going beyond the scope of its normal functions. If I am not mistaken, it took a very active part in the Eastern Group Conference itself and Sir Alexander Roger was Chairman of one of the Committees. After all, this was an Advisory Committee and it did not represent any of the Eastern Group countries. It came from His Majesty's Government's Supply Department; and it could certainly have played its part in an advisory capacity. But it went much further and Sir Alexander Roger himself in his interview gives some hint of the apprehension that we entertained, when he said:

"We have not been free from the suggestion that the Mission was unlikely to recommend industrial expansion in India because a number of our members were interested in manufacture and export business in the United Kingdom."

There is a real danger, as some of our Member-bodies have also pointed out, of consolidation of non-Indian vested interests and the establishment of even new non-Indian vested interests of British nationals and nationals of Dominions and Colonies under the patronage and aegis of the colonial office as a result of the Eastern Group Conference and the Roger Mission. The whole object and the whole aim of protection will be undermined and frustrated if it is not insisted, as stated in part (*c*) of the resolution, that the Government should see that the capital, control and management of the enterprise remain in Indian hands. I would state how in Australia, for example, this is realised. Mr. Curtin, the Leader of the largest Party in Australia, said :

> " The primary need of Australia is the building up of industries until every possible requirement to self-defence can be supplied within the Commonwealth. Self-sufficiency is now a supreme national necessity. We must have the essential industries to feed, clothe and transport on sea, land and air the forces of the Commonwealth."

Mr. Menzies, the Australian Premier observed :

> " In the very carrying of burdens, we are laying industrial foundations, opening up new resources, acquiring new skill and experience ; paradoxically enough, our war needs are likely enough in many ways to provide our peace opportunity."

But, Mr. President, the whole aim of this industrialisation will be frustrated if non-Indian enterprise is allowed to utilise the immense resources and raw materials of this country. We are no doubt anxious to develop Indian industries, but we are too well aware of the dangers of foreign capital. The commercial discrimination clauses in the Government of India Act are a constant and standing reminder of our helpless and dependent position in this matter and we certainly do not want that foreign capital should utilise these resources in order to build up industries which might be located in India, geographically situated in India, but would be Indian in no other sense. It was with some regret I must say that I noticed the statement of the Commerce Member Sir Ramaswami Mudaliar, the other day when he defined foreigner as any one who is outside the British Commonwealth. We may be constitutionally helpless today, we may have these statutory restrictions, but this is a position which I am sure we in India cannot accept. And in this definition the Commerce Member even goes beyond what is stated in the Government of India Act, because even the Government of India Act does not specify the nationals of the dominions to be equal to Indians. Years ago when the Indian Industrial Commission was appointed a predecessor of Sir Ramaswami Mudaliar, Sir William Clarke, stated :

> "The building up of industries where the capital, control and management should be in the hands of Indians is the special object we all have in view."

He deprecated, moreover, the taking of any steps which might "merely mean that the manufacturer who now competes with you from a distance would transfer his activities to India and compete with you within your own boundaries." After all, in our present position foreign capital means foreign control and we cannot in the existing conditions accept that condition because processes of foreign capital would be processes of foreign conquest.

With these words I move the resolution. (Applause).

The Hon'ble Rai Bahadur Lala Ram Saran Das (U. P. Chamber of Commerce, Cawnpore) : I rise to support the resolution which has been so ably moved by my friend Mr. Gaganvihari Mehta. He has dealt with the subject exhaustively and has covered most of the points which I wanted to raise in my speech. The only point of importance which has been left to me is that we cannot start new industries or even maintain the present industries after the present period of high taxation. Even in Great Britain the Government there have seen fit that all new industries which are floated during the war will be given a special margin of profits so that they may be able to build up their reserves against post-war difficulty. Unfortunately, although our Commerce Member has tried to give encouragement to the floatation of new industries, on the other hand, our Finance Member has gone on with excessive increases in taxation so that with depletion of reserves the object may not materialise.

My friend Sir Shri Ram has put before you a statement showing how our nett profits stand at present, after allowing for present high taxation when he was delivering his presidential address as President of the All India Organisation of Industrial Employers. The statement shows that even if we made 50 per cent extra profit, in reality we get only 4.5 per cent. I need not waste the time of the meeting by going into the statement in detail, but the statement is before every delegate and they can realise how the taxation proposals which come into force from 1st April next will affect our industrial enterprise and industrial undertakings. Unless there is some encouragement from the Government of India for the starting of new industries, under the present rates of taxation it is impossible.

The next point on which I want to say is that in certain quarters there is a fear that the Eastern Group Council and other connected institutions may lead to further exploitation of India by foreigners. Our mineral wealth should not be exhausted for the sake of other countries at the expense of India. Yesterday one of our delegates observed that the Commerce Member was not doing his duties in the manner in which it was desired by the commercial people. I beg to differ from him on that point. Being a member of the Central Legislature we get occasions to meet the Cabinet Members oftener than the general public, and we can very well see which of the Members has a nationalist feeling and which Member really means to help India in its industrial and material progress. I can say that our present Commerce Member has the interests of India at heart. Sir Shri Ramji has already told you in his speech that the establishment of the Industrial Research Board was one of the great achievements of our present Commerce Member. But it is a question how far we can take advantage of the results of the researches of that Board. My point is, if the Government of India really mean to develop India industrially they must cease this high taxation policy, and unless this high taxation ceases I do not think there is any prospect of many industries growing up because after the war they will have no reserves to stand the slump. With these words I support the resolution.

Mr. D. N. Sen (Bengal National Chamber of Commerce, Calcutta) : Mr. President and Gentlemen, the Resolution has been ably moved by Mr. Gaganvihari Mehta and supported by Rai Bahadur Lala Ram Saran Das. The Prime Minister in England and the Viceroy in India have stated the objects of the Eastern Group Conference. They said that the object was to mobilise and improve the resources of the countries and the dominions under the British Government east of Suez. We in India naturally built very high hopes that India was going to be industrialised and we would probably see an industrial renaissance in a short time in this country. I will not discuss the treatment that the Indian mercantile community and the industrial community received as regards the nomination of members on the Eastern Group Conference, or on the Eastern Group Council. But I will tell you that a few days after the Conference came to a close Sir William Massey Green, the chief of the Australian delegation, is reported to have said that preference should be given to such countries which were thought to be potentially fit to start certain industries. I make bold to say that Sir William was probably thinking of starting shipbuilding industries in the Australian Commonwealth, as if Australia was the only country best suited, best fitted to build ships for supply to the United Kingdom for the prosecution of the war. And India from Chittagong to Karachi with all its long coasts was not fitted to have her own shipbuilding here, and the people of India were not fitted to start a shipbuilding industry in this country ! It is the general impression in this country that this vast and glorious country of ours is going to be converted into the biggest warehouse of the world from which will flow wagon-loads of raw material in endless and sorrowful procession while we will wait and watch and see and remain where we are—hewers of wood and drawers of water. There is another great danger that there will be an influx of foreign capital into this country and foreign capital will start manufacturing concerns here. We are told that an American Company has already decided to start a motor manufacturing company in this country and they have got an assurance from the Government that they will buy the motor cars and lorries that the company will manufacture here. This reminds us of the year 1936 when an Indian company decided to start a motor manufacturing company in India and asked from the Government of India for an assurance that they would buy the motor cars and lorries manufactured by them. This assurance Government denied then. We are told that the Government have under the present extraordinary circumstances and probably under a compelling necessity given this American company this assurance. Look at another picture in the Commonwealth of Australia. In Australia they have started a motor manufacturing company and the Premier there has said that three-fourths of the capital of this company should be subscribed by the Australians, that no other competing motor manufacture will be allowed to be started in Australia, and that the Government will buy the major portion of their productions. Look at that picture and look at this.

We do not know how far we are to be benefited by this Conference and we must guard ourselves against these dangers. With these words I commend the Resolution for the acceptance of the House.

Mr. T. T. Krishnamachari (South Indian Chamber of Commerce, Madras) : Mr. President, I do not think there is much for me to say after the carefully thought out speeches that have been made in support of this Resolution by the previous speakers. A note of disappointment was struck by the Mover and I think that note runs through the four clauses of this Resolution. I do not know, Sir, if at all it is proper for us to be disappointed with the results of this Eastern Group Conference if we import into the consideration of this problem a touch of realism. The question really revolves round the problem of our status. We presume we have a certain status and consequently certain rights. I join issue with any such presumption. I think it has been proved conclusively that our status is one of definite inferiority to that of the dominions which partook in this Eastern Group Conference and if that is appreciated, there could be no disappointment at all. A booklet written by Mr. Hodson of the Round Table has been put in my hands after my arrival in Delhi and therein he deals conclusively and exhaustively with regard to the component parts of the British Empire and their contribution to Britain's war effort. Mr. Hodson points out that long before the war broke out discussions were carried on with the Dominions that compose the British Empire and it was decided that the Dominions should be assisted to become sources of munitions supply and that they should not only become self-sufficient but should also be able to supply other Empire countries. Well, notwithstanding the fact that there is always in the air the talk that India is to get Dominion Status somehow that her representatives were present and took part in the Peace Conference after the last war or at the various Imperial Conferences, India was left high and dry in these discussions with regard to the defence of the Empire and I think that the reference about the dominions being able to supply other British countries in their region is a significant pointer and furnishes an explanation adequate enough for us to understand the Eastern Group Conference and its results. Obviously Sir Walter Massey Greene was not speaking without the book when he told us not to bother about new industries and not to bother with the various stages through which infant industries have got to go through such as teething, infantile mortality and the rest of it because he knew fully well that Australia was to supply the needs so far as India was concerned because India fell in her particular region as was settled in the discussions in the matter of Imperial defence prior to the commencement of this war. I do not see how we can be under any delusion with regard to our status. We are not a dominion. We have to be either a dominion or a dependent country. India perhaps occupies a position midway between a Crown Colony like Ceylon and a dominion like Australia or Canada for that matter and British economists and academicians have not been slow to point out that in any settlement that is arrived at after the war, in the so-called Federal Union of democracies which they envisage the position of India will be that of a dependency of the proposed Federation which she now occupies towards Britain, plus Britain being conceded certain special rights in India by reason of her long historical association. These are not my words. They have not been gleaned from any passing journal or a passing statement by an unknown person. They have been made by Sir William Beveridge in one of the papers which has been contributed to the Institute of International Affairs, under the heading 'World Order Papers.' If we realise that we have no status, then we have also got to realise that we have no rights. But what we take exception to is to be told that we have a status and yet not to be given the rights. I think that is the only justification for us to argue this point today—to make meek, submissive, inoffensive suggestions to the Government and ask them to lift the smoke screen that covers the Eastern Group Conference and its proceedings and let us know where we stand. I think, Sir, if the Resolution had been so worded as to be construed as a categorical demand, for us to know exactly where we are, it would probably have been better.

Mr. Mehta has laid stress upon what you originally touched in your presidential speech, that is with regard to the status of the Indian advisers to the Eastern Group Conference. But Col. Amery goes a step further. He said that Sir Muhammad Zafrullah Khan led the Indian deputation and practically presided over the Conference and that gives India the status she has been wanting. We can conceivably ask him if that was so, why not give the representative on the Eastern Group Council that status that has been occupied by Sir Muhammad Zafrullah Khan. Sir Muhammad Zafrullah Khan, though he is an official temporarily, is a non-official and we can therefore conceivably ask that the representative of the Eastern Group should be a non-official who is not dependent for promotion or increase in salary on the goodwill of the people in order above him and the Secretary of State and who would be in a position to resign his job at any moment when the interests of his country are being jeopardised. Mr. Mehta read a quotation from the *Statesman* with regard to the work of the

Eastern Group Council. It really does not throw any light upon our demand for more information but it does throw this amount of light. That was specially stressed by Mr. Mehta. While for instance the status of the representative of the Australian Government is that of a Cabinet Minister, the representative of the Indian Government only occupies the status of a Secretary to the Government of India dependent upon the Government for further favours and promotions. I wish, Sir, that it has been pointed out definitely after the experience that the gentlemen who were past Presidents of this Federation have had as non-official representatives of the Eastern Group Conference that we do want that at least now the Indian representative on the Eastern Group Council should be a non-official who commands the confidence of the people and of the mercantile community of this country.

It seems fairly clear that since it has not been contradicted, the statement of Sir Walter Massey Greene still holds the field and the hopes, that we have been centreing round Sir S. Bhatnagar's investigation, which would lead to many new industries being started in India can be set aside and set at rest. After all what is Sir Walter Massey Greene's suggestion to us ? He wants us to practise birth control and contraception. He says 'Don't bring in infants into being into this world, because they may die of teething and suffer infantile mortality'. Well, until the statement of Sir Walter Massey Greene is contradicted by a responsible official of the Government of India, we can only conclude that the Government is either not in a position to contradict it or it approves of it. I see no point really in going on bended knees and expressing pious wishes and emphasizing and stressing certain specific points, because the anxiety of this Federation has been made very clear in the first letter written to the Government, on the subject of the Eastern Group Conference. I am afraid that we cannot rest content until we are assured of a status, until the status is not merely nominal like the status of the representative of the Government now sitting on the Eastern Group Council, whose status is that of a Secretary to Government. These are the points that have to be placed before the country and if the Federation is going to serve any useful purpose in bringing home this serious threat to Indian industry, this affront to Indian self-respect, the agitation has got to become far more intense than that of merely passing pious Resolutions.

The Roger Mission, as Mr. Mehta pointed out, came to us not merely as a supply mission. Sir Alexander Roger took a prominent part in the Eastern Group Conference and he seems to have gone round the country, visiting 700 factories and interviewing 500 people, at the same time collecting trunkfull of complaints against the Supply Department. I do not know what has happened, whether these complaints have seen the light of day, whether the Supply Department has been handed over these complaints. We have been told that 83 crores worth of war material has been obtained from this country. We want to know how much of it has been bought from Indian concerns. I do concede that is not germane to this Resolution. But, no information has been forthcoming. At any rate so far as my province is concerned, we have been told that one lakh of rupees worth of supply is got from Madras every day. We do not know how much of that one lakh goes to European controlled textile concerns and how much goes to Indians. I think there is something very much nearer for you to ask—how much of the supplies that are got from this country go to benefit the nationals of this country and how far this will go to help the nationals of this country in starting new industries. We fear that these new industries will never be allowed to be started in this country and they will never be allowed to thrive. I think that is a point on which we can conceivably concentrate our attention with perhaps greater chance of producing better results and it will perhaps help us in placing before the country the travesty that is being daily perpetrated against Indian interests by the Government of India. Sir, I support the Resolution.

President: Before proceeding further I should like to know whether any delegate has not received his voting paper. It seems all have got. If anybody has not got, he will let me know as no paper will be accepted after we adjourn for lunch.

Mr. B. S. Dabke (Mahratta Chamber of Commerce, Poona) : Mr. President and Brother Delegates, the Resolution has been already moved and supported. I want to make a few suggestions before this Resolution is put to vote. The object of the Resolution is to ventilate the grievances of the premier body, the Federation of Indian Chambers of Commerce and Industry, and if the grievances are to be ventilated, then we should completely ventilate the grievances not so much by merely suggesting that "the Federation *suggests* that the representative of the Government of India on the Eastern Group Council should remain in active contact with Indian public opinion and business opinion" ; we should see that it is so worded that we say that we want direct and unofficial representatives upon this Eastern Group Council as it has come into existence and whose headquarters are in India. We shall be the laughing stock of Empire countries as well as other countries of the world, if the premier body the Federation of Indian Chambers of Commerce and Industry were simply asking for some intermediate channel, and put forth their grievances through the official channel. We should ask for this, whether our suggestions are accepted or not we are not concerned—because yesterday it was given out that many other grievances had been put forth and many representations had been sent but that no reply had been received ; so this will be perhaps the eleventh or so, but we must demand that at the headquarters of the Eastern Group Conference in India there is a representative or representatives of the premier body the Federation of Indian Chambers of Commerce and Industry and that body should have direct representation on this Eastern Group Council. My second suggestion is this. We do not know what industries have been started for the supply of war materials or munitions, but we hear that armoured cars are being manufactured somewhere in Calcutta as well as tanks are being manufactured in India or the parts for assembling tanks are being manufactured. Then we should suggest that, like the Railways, immediately after the war, the industries that are being started should be purchased by the Government of India after the war and they should be handed over to Indian companies ; otherwise what will happen, is that we shall be giving additional patronage to the Government of India for engaging unemployed and unwanted youths of the United Kingdom. I may also mention that when the Railway Budget was being discussed those very facts I am alluding to were brought out in the discussions, for instance that the number of Indians on the Railway Board has not been increased and there is hardly any Indianization and two prominent Railways, viz., the G. I. P. and the E. I. R., are not being Indianized as they ought to be, and we are still hoping for the implementing of the recommendation of the Acworth Committee, "that whenever the opportunity comes Government should purchase these Railways." But I go further and I say that as far as the key industries and the engineering industries are concerned, they should be taken over by the Government of India and should be handed over to Indian companies so that the key industries in which we are lacking so much, except the Tata Iron and Steel which is considered as one of the premier concerns throughout the Empire if not in the world, should be in our hands. My third suggestion is that from the very beginning suitable and qualified Indians should be associated with the day to day management and technique of those industries, so that when we ask, after the war, that they should be handed over to Indians, if that is done ; then, we should not lack the proper experts, otherwise we shall have to import foreign experts and that should not be the case. Therefore suitable and proper Indians should be associated from now with the management on the technical side so that we should have an army of technicians ready to take over those concerns. With these suggestions I commend the Resolution to the House.

Mr. V. K. Dhage (Maharashtra Chamber of Commerce, Bombay) : Gentlemen, the Eastern Group Conference has been held and the Roger Mission to India has come and gone. It would be interesting to hold a *post mortem*, as it were, over these two events of great importance, to see what has been their achievements, what was said and what is being done, and how much of the spoken word has been translated into action.

Gentlemen, before the advent of the Roger Mission to India on behalf of the Supply Ministry of Britain, and the holding of the Eastern Group Conference, it was being understood, and it would be better to put it in the language of the famous Anglo-Indian paper which, according to its profession, always gives out the mind of the Government for the time being established by law, that the Roger Mission and the Eastern Group Conference were going to explore avenues for the expansion of the trade of India and to find new outlets and new markets for the export of Indian commodities in order to fill up the gap created by the loss of trade due to the war in the West. Besides this, great hopes were created that India would immensely benefit by the inception of industries for the successful prosecution of war. Not only this, the Hon. the Commerce Member assured us that those industries, which have been fostered by the State to help in the war, will not be neglected when the war is over. Thus, we were told that the industries were offered an unique opportunity and that the initial impetus of the last war was small in comparison with the present State-stimulated expansion which, if handled with vigour and imagination by the industry itself, will raise India within a decade to the status of a mature nation.

When all is said and done, the Government would not take the representatives of India on the Conference. And after some agitation they agreed to take Indians in their individual capacity to serve as mere advisers to this Conference, whereas, the delegates to the Conference from all other countries were the representatives of their Governments. It is no use commenting upon this aspect. So I leave it here.

But on the 25th of October last, the much spoken of Conference was held. Most impressive scenes were staged. The honour of the chairmanship was bestowed upon an Indian Member of the Executive Council of the Governor-General not responsible to the Indian Legislature. All the military officials and the high dignitaries of the Government of India were present at the inauguration ceremony. This was not all. The speech of the Viceroy was broadcast to the world—probably to pull the ears of the Fuhrer in Germany! High sounding words were used to impress upon the world that Great Britain was now undertaking a new task of such a magnitude that she would not lack in war material for the successful prosecution of the war. The Viceroy also made it abundantly clear that the scope of the Conference was not to go beyond finding ways and means for initiation of such industries as are essential for the manufacture of material for the prosecution of war. He also laid the moral duty upon the Empire countries south and east of Suez to see that when England was not able to produce material for the war, it was the bounden duty of these countries to fill this deficiency in the mother country. It appeared as if a new era of prosperity was dawning upon India. And in fact, the *Times of India* felt so elated that it chastised the British Government and the Government of India for not having followed this kind of policy before the war, and went to the extent of charging them for having pursued a short sighted policy in India in this regard.

But, Gentlemen, I am afraid, there is no real intention behind these words to help India to become a great industrial country, such that, she would in the next decade become a 'mature industrial nation of the world.'

Whatever information could be had about the deliberations of this Conference, it is this, that they are kept secret. And the only words that could be heard are those which mean nothing. For instance, the leader of the Australian delegation after the deliberations spoke thus :

"The report which we have just adopted covers a wide field of investigation and contains a vast amount of valuable information. The main recommendations of the report cover matters of first rate importance. The reports of the Sub-Committees throw up in broad outline in the great majority of instances the salient facts. They show where surpluses are to be found and where deficiencies exist and what is perhaps more valuable, they will assist the body, whose creation we have recommended to carry on the work on which we have been engaged, how best to direct their investigations along the lines which will give them most readily the information it will be necessary for them to obtain."

Gentlemen, what do these words mean ? Is there anything in them except vagueness which sounds most pleasing to the ears but when analysed they reveal that these are words having no real and substantial import. If they were to be real, then why is it that so far no report is published ? Why is it we have not been told as to what is being recommended ? Is there anything in the report of that Conference which, if divulged, would be such that the enemy would benefit by it and take such steps as would be detrimental to the interests of the war ? Is there anything in the recent interview of Sir Alexander Roger which does not confirm our apprehensions ?

We are being served with sweet words by the Secretary of State for India at Dinner Parties and Lunches at regular intervals saying that India has now become one of the greatest industrial countries in the world. In the words of Sir Visveswaraiya, which he uttered lately in Bombay, these are, in fact, high exaggerations, if not anything else, in rather blunt language. And I feel they smack of vulgarity in the same sense as that celebrated journalist and famous author, Beaverly Nicholas, termed the spreading of his cloak by Sir Walter Raleigh over the mud for Her Majesty Queen Elizabeth to walk.

Gentlemen, from such utterances and the secrecy about the deliberations of the Conference, one is inclined to feel that these are in a similar strain as those of Mr. Chamberlain who in the autumn of 1937 in the matter of defence said : "The preparatory stage is now practically completed and that production has begun in earnest," who again in December of the same year said, "The country is strong. She is getting stronger every day. Our strength makes it easier for us to appeal to others to join us in applying our common sense to these problems," who again in 1938 said, "The almost terrifying power that Britain is building up has a sobering effect on the opinion of the world." And yet we know that at Dunkirk, the British military genius achieved the most successful evacuation, which evacuation is said to be nothing short of a miracle. The British soldiers, who are not less heroic than those of other nations, felt humiliated and shouted, "Give us equally good weapons and we will finish Hitler." Even to this day, Mr. Churchill has been saying, when the Lease and Lend Bill has been on the anvil, " Give us the tools and we will finish the job." And still, we hear that India is progressing in the manufacture of war materials !

In the face of these statements, any one interested in the progress of the industries for the successful prosecution of the war is inclined to ask ; what is the industrial progress of India ? Is it not more than four months since the Eastern Group Conference was held ? And what is the answer ? The answer is that 83 crores of material have been purchased by the Supply Department of the Government of India in the matter of war. Is that the progress of industry that India has achieved, I ask ?

That done, let us now divert our attention in another direction. We find that there is a certain amount of propaganda being done on behalf of the Government regarding the progress of the manufacture of war materials. The news reels are systematically produced and religiously shown in different languages. These will reveal, which any one visiting the pictures can see, as I do, that Canada has been making a tremendous progress. We are shown how aeroplanes, motor cars and big guns are being manufactured there, how the roads are being constructed within a month's time, etc. And the only thing we have seen so far regarding the industries in India is the battalion of Indian Sepoys going West. That is the material and industrial contribution that India is perhaps making to the war !

Gentlemen, after noting these observations, one is inclined to share the feelings of an Englishman, who has been permitted to publish a book, that the Members of the British Cabinet during the time of Mr. Chamberlain are the guilty men. And I may go further and say that the Members of the Indian Cabinet would perhaps deserve the same compliment today.

Gentlemen, we want to make it clear by this resolution that we want to do what we can in the prosecution of the war in the matter of the supply of war material. We want to emphasize that we want to promote the prosperity of India by the establishment of war industries. We want also to stress upon the Government of India that not only war industries should be started in India as mentioned in the resolution but that the opportunity must be fully utilised for the inception of other industries as well.

I commend this resolution.

The resolution was then put to vote and carried unanimously.

The Annual Session then adjourned for lunch till 2-40 p.m.

SECOND DAY'S PROCEEDINGS

AFTERNOON SESSION

The Annual Session resumed its sitting after lunch at 2-45 p.m., with Mr. A. L. Ojha in the Chair.

Mr. J. J. Kapadia (Native Share and Stock Brokers' Association, Bombay) : Sir, the Resolution which I have the honour to place before the House reads as under :—

INCOME-TAX ADMINISTRATIVE PROCEDURE AND PUBLIC DISSATISFACTION

The Federation draws the attention of the Government of India to the growing feeling of dissatisfaction at the administrative practices adopted by the various Income-tax authorities and urges the Government of India to issue necessary instructions in the matter, so as to avoid hardship and harassment to the assessee.

The object underlying the Resolution is to bring to the notice of the Government the intense dissatisfaction that exists among the rank and file of the assessees with regard to certain objectionable methods and practices followed by those who are entrusted with the task of collecting Income-tax revenue on behalf of the Exchequer. Sir, at the time when the Indian Income-tax Amendment Act, 1939, was before the Legislature, numerous complaints were made on behalf of the public at the dubious methods that were followed by the Income-tax Departments in collecting income-tax and super-tax. The Member in charge—I believe it was the last Finance Member—gave an assurance on the floor of the Assembly that steps will be taken to see that those complaints would not be repeated and that instructions would be issued to the Departments concerned to see that harsh methods would not be applied in the collection of taxes. During the two years that have elapsed since the amending legislation came into force, we find that far from the situation taking a turn for the better it has actually deteriorated so far as the assessees are concerned. I will place before the House a few instances where new avenues for obtaining income for the State have been invaded quite unjustifiably. The instances which are in my possession give such a sorry picture of the methods and practices which are followed by the Income-tax Department that I do not think it is necessary for me to comment upon them at this stage. Those who are engaged in the business of buying and selling shares, stocks and Government securities will bear me out when I say that on several occasions people buy and sell shares *cum*-dividend or *ex*-dividend and buy securities and debentures with accumulated interests which the seller has to pay to the buyer at the time when delivery of the scrip is given. Under the old Act, the practice was that if in the accounts of the assessee certain income was shown as dividend or interest income, the Income-tax Department never put the assessee to the trouble of satisfying the Income-tax Officer that the income was dividend or interest income. As most of you are aware, dividend income, especially in the case of ordinary shares, is taxed at the source and therefore in the hands of the assessee it is not liable to payment of income-tax over again. What has been the practice now ? I hear on reliable authority that if you produce your books of account which show that you have obtained dividend in respect of certain shares yet you are called upon to produce a sort of corroborative evidence in the shape of counterfoils of dividend warrants and if you fail to do that, the Income-tax Department taxes the income in your hands over again, although the income-tax may have been deducted at the source already. There are cases where it is physically impossible for the assessee to produce their counterfoils. I will illustrate by giving a very simple instance. If my friend Mr. Khaitan holds 3½ per cent Government paper and if he sells that Government paper to me, according to the usage and custom of the market I will not only have to pay to Mr. Khaitan the price at which I have bought his Government paper but also will be bound to pay to him the accumulated interest upto the date of delivery. After having paid for the Government paper, I will go to the Public Debt Office and will collect interest on the due date. Mr. Khaitan will credit the accumulated interest that he has received from me as interest on his investment, but if he fails to produce for the inspection of the income-tax authorities the interest warrant, the income-tax authorities will tell him ; "Look here, Mr. Khaitan, no doubt your book shows that you have received so much interest from Mr. Kapadia, but unless you produce interest warrant, we will tax this income over again as income from other source." Now, it is physically impossible for Mr. Khaitan to produce the interest warrant because the interest warrant has either been obtained by me or by some other party to whom I may have again sold the 3½ per cent paper. Again, the very same thing happens in the case of sale and purchase of debentures. A similar thing also happens in the case of sale and purchase of shares when transactions take place *cum*-dividend and the dividend is collected from a third party in whose name the shares stand at the time of the transaction. I will not pursue the point further as the bare outline that I have given would show the manner in which the Income-tax people are harassing the assessees in matters like this.

Then, I will pass on to another instance. Those of us who are Hindus cannot be unaware of the joint-family system. I am sorry to inform the House that a new device for collecting more taxes has been resorted to by the income-tax authorities and that device is to challenge the partnerships registered as between the individual members of a family on the ground that they constitute joint families. There have been cases where individual members of a Hindu family, although joint in food and worship but divided in estate, have for business purposes formed themselves into partnerships and registered the partnerships with the income-tax authorities. These partnerships being registered, the individual partners have to be assessed under the Income-tax Act. Recently, cases have come to light where although these partnerships have enjoyed the privileges of registration for a number of years, they have been challenged as bogus partnerships and attempts are made to tax them as joint family units in order to obtain for the Exchequer higher revenue in the shape of income and super-tax in spite of the fact that due inquiries were made in previous years as to the jointness or otherwise of the parties concerned. Very strict insistence is made for production of partition deeds. Now, anybody who has an elementary knowledge of Hindu law will tell you that it is not necessary in all cases that a regular partition deed should be executed if the partners are divided. A clear intention to dissolve the joint family is enough to constitute partition. A partition may not be made by what is called metes and bounds; but if you prove that the joint family has been dissolved, by reason of its members trading as different entities, it is not necessary that the partition deed should be produced. In the case of movables or in the case of ancestral business where no immovable property is involved, partition deeds are seldom executed. The discretionary powers which are at present vested in the income-tax authorities are thus abused by challenging these partnerships as bogus partnerships and by attempts to mulct these partnerships into payment of higher income-tax and super-tax by saying that they are really speaking joint families.

I will now pass on to the third head, viz., the one where partnerships change hands in the year of assessment. I want the House to remember two things in connection with income-tax; the "previous year" which is really speaking the accounting period of the assessee and the "assessment year" which is the Government year. If X and Y are doing business in the name of X-Y & Co. as a partnership firm and if X-Y & Co. has registered its partnership deed with the income-tax authorities, then X-Y & Co. enjoys the benefits of registration in the sense that the individual members of X-Y & Co. are assessed for the purpose of income-tax and super-tax so far as the profits and gains of the partnership business are concerned. Assume for a moment that the account period of the partnership is April to March. If after 31st March, the partnership is dissolved by the going out of one of the partners, say Y, then when the assessment notice is served, X is sought to be mulcted in the payment of income-tax and super-tax on the entire profits and gains of the partnership as a successor although during the accounting period, he had only a share in the profits of X-Y & Co. That is another head under which the income-tax people are trying to obtain more revenue.

Now, I will come to the fourth head. It will surprise you gentlemen, to know that demands are now being regularly made upon banks to supply the income-tax department copies of the current accounts and copies of overdraft accounts of assessees, authough the assessees themselves produce for inspection of the income-tax authorities their pass books. The result is that the bankers with whom the assessees have occasion to deal suspect, of course unnecessarily, some malpractices on the part of the client and the credit of the client suffers. I really do not understand why when pass books are produced before the income-tax authorities they should go to the length of calling upon the banks to give copies of current and overdraft accounts. Again, in several cases banks have been called upon to furnish information for a period of five to six years or even ten years previous to the assessment year.

I will now pass on to the fifth head. There is what is called a suspense account which in Gujarati we call *Shah Khata.* I will illustrate the point by giving my own instance. I am a share and stock broker. I have some clients. I am working in a bazaar which is always susceptible to violent fluctuations. If in a particular settlement, I fail to receive money from my clients, I might be hard pressed. I find that next morning it is the settlement day. I must make payment in the bazaar, otherwise I would be listed as a defaulter. I go to my friend Mr. Chunilal Mehta, I know he will accommodate me and I place before him the facts of the situation and take from him a temporary loan of Rs. 50,000 or a lakh of rupees. But in order that my clerks or for a matter of that even my partner, if I have a working partner and I am financing the partnership, may not know that I am not in a position to meet my liabilities without accommodation from a friend, I might enter the amount received from Mr. Chunilal Mehta in 'suspense account,' namely *shah khate jame* : the name is kept blank. After my difficulties are over or I have been able to tide over my difficulties, I go to Mr. Chunilal Mehta and pay back the amount to him. The income-tax people find that a sum of Rs. 50,000 or a lakh has been credited to suspense account without any name being mentioned in the relevant entry and so they pounce upon me by saying " you have brought this amount from some secret source, you have made some secret profit which you have not so far disclosed and therefore we will tax you to the extent of this amount as it is your income." Well, gentlemen, one ought to understand the ways of the world. There are business exigencies when a businessman has got to borrow on occasions from friends in order to save his credit ; for reasons of business, for reasons of credit, it may not be possible for him to disclose the source from which he had borrowed the money and even if things are placed on affidavit, even if my friend Mr. Chunilal Mehta goes to income-tax authorities and tells them that he was the gentleman who had assisted me financially his statement would not be accepted and I would be called upon to pay income-tax on the ground that Rs. 50,000 or a lakh as the case may be which I borrowed was really speaking my profit which I had hidden away in past years somewhere.

Mr. K. Narasimha Rao : Even if the money passes through cheque ?

Mr. Kapadia : No, in this case it will be by cash. There are cases where moneys cannot pass by cheque but only by cash.

Now, I come to head number 6. Gentlemen, you are aware that merchants and business houses have their branches in Native States and foreign countries and it has become exceedingly difficult for these merchants and business houses to bring to India books of account of the foreign branches. Hitherto it was customary for the income-tax department to accept the audited balance sheet and profit and loss account. Now for reasons which cannot be imagined they call upon business houses to produce books of account of their foreign branches. They know very well that it is not possible for them to do so and if those books are not produced, the assessees' explanation is not accepted and the income-tax department passes what are called "best judgment—assessment." That is another head where the assessees are put to very great hardship and trouble and inconvenience.

I will now pass on to the next head and that is the abuse of penalty provision of section 28 of the Income-tax Act. You know that after a return is made and a notice is served upon the assessee to produce books of account in support of the return, it is very likely that on certain occasions an assessee may not be able to produce all the books and accounts, some books may have been mislaid, some books for the matter of that may have been lost or destroyed. It may be a perfectly trivial book, but if that is not produced, the income-tax office concerned infers that the assessee is a rogue because he does not produce all his books and accounts which he is called upon to do, and imposes a heavy penalty upon him in addition to the best judgment assessment. That is another field where, I understand, oppression is taking place at the hands of the department.

I come to the next head ; I have tried to give various heads of grievances and that is why I am dealing with them briefly. The next head refers to profit on sale of investments. I am a member of the Native Share and Stock Brokers' Association and it was brought to the notice of the Association that investments held by investors years ago and sold by them either with a view to take advantage of the rise in prices or to utilise the sale proceeds for other purposes or to transfer the sale proceeds to some other investment, the profits realised out of sales of these investments are now sought to be taxed although in previous years no such thing was being done. The same thing was brought to the notice of the Bombay Shareholders' Association and both these bodies have protested against this innovation. My submission is that in cases like these where investments have been held for years, where judging from the status and position of the assessee, the investment is *bona fide* investment, in such cases it would be wrong to tax the profits resulting out of the sale of these invesmtents. This is another field which has been recently invaded by the income-tax department in order to obtain more revenue for the Exchequer.

I will now pass on to head No. 9, viz., loss as a result of dealing with enemy firms. Recently as some of you gentlemen are aware, large contracts were placed for goods with enemy firms. Before the firms were declared enemy firms, drafts were retired but the goods were not received. The parties concerned sought to write off the loss in the books but the income-tax department has declined to allow that as bad debt on the ground that as a result of the war delivery has been suspended and therefore it cannot be said that this has become bad debt. Now, I submit this is unfair. The assessees concerned have told the income-tax department that if in subsequent years they receive the goods then they will again give credit for the amounts which they propose to write off as bad debts now and that in those years those amounts may be taxed again as income. But the authorities concerned declined to do that for the obvious reason that if you were to allow the assessee to write off the loss the income-tax department would suffer in point of Excess Profits Tax which is leviable today. This, I submit, is really an unfair method.

Then I would bring to your notice certain vagaries of the income-tax officers. I find, of course on information, that if in a particular year the income-tax officer has passed certain orders—suppose for instance he has declined to give certain allowances to the assessee—and if the assessee has appealed from the order of the income-tax officer and the Assistant Appellate Commissioner has allowed the appeal, then in the subsequent year, although the circumstances may be similar and the facts may be similar, the income-tax officer would not act according to the decision of the Assistant Appellate Commissioner merely because the assessment is for subsequent year. The result is that the assessee is again obliged to lodge an appeal and he is put to the trouble and expense of doing so. This is one of the vagaries of the income-tax department.

Mr. K. L. Narasimha Rao : There are cases in which income-tax officers have entered houses to search for secret books.

Mr. Kapadia : I am trying to place before the meeting certain facts which I have tried to collect in order to make good the case of the Federation that considerable hardships exist so far as the assesses are concerned. I therefore hope that I will be allowed to proceed without interruption.

Then the next point is that assessments are held over for months and years even after the information required has been supplied. This is because the income-tax officer is not allowed to pass orders without the previous approval of the Central Board of Revenue in some cases. This in my opinion is a very serious thing. In such cases the appellate authority—The Appellate Assistant Commissioner—is put in a highly awkward position. The income-tax officer is not considered in such circumstances to be an independent officer. The Appellate Assistant Commissioner who is appointed by the Central Authority cannot displease the Central Authority. Therefore I submit that if before assessment orders are made the views of the Central Board of Revenue are first ascertained, then the whole administration cannot be said to be independent ; the whole administration, I should say, is biassed against the assessee.

Then, considerable delay takes place in disposing of revision petitions and making references by the Commissioner to Courts with the result that amounts which have been deposited by the assessees, as a result of the decision of the lower authorities are locked up and they are put to considerable trouble and expense.

Sir, I need not go into any more instances ; I think the instances which I have given carry their moral. My own feeling in the matter is this. In these days when demands for income-tax are a matter of vital importance to the business community, it is the duty of the Federation to devise adequate steps to see that complaints which are made by the business community in connection with this important department are remedied. I know the practical difficulties of the situation. At one stage I myself was disposed to move a rider to the Resolution that a small Sub-Committee should be appointed to get into touch with the assessees and income-tax experts, collect first-hand data and prepare a comprehensive memoranda and submit it to the Central Board of Revenue. After consulting some of my friends I felt that this may be premature at the present stage. I would therefore request the Committee of the Federation to write to Member-bodies and ask them to supply to the Committee information collected through members with regard to the directions in which hardships are created, and the Committee should on its own initiative invite a few income-tax experts who will be in a position to give first-hand information to the Committee ; and after satisfying themselves the Committee should submit a comprehensive representation to Government and, if necessary, wait in deputation upon the Member in charge. The point is this. It may be that in certain cases tax-dodgers may have played false with the Exchequer. There have been cases,—cases are bound to be there in this world,—where certain tax-dodgers have played foul. We have black sheep in every fold ; it is not my purpose, it is not the purpose of this Federation, to defend those black sheep. If there are black sheep who do not consider it proper to pay what Government is entitled to recover from them, certainly they must be hounded out of the country. But that is no reason why the income-tax authority should change its entire outlook towards the tax-paying community. Unless and until an assessee is found to be a rogue he must be taken to be an honest person and dealt with as such. Sir, this is all that I have to say in support of this Resolution and I hope the House will accept it.

Sir Abdul Halim Ghuznavi (Muslim Chamber of Commerce, Calcutta) : Sir, I have very great pleasure in seconding this Resolution which has been so ably moved by my friend Mr. Kapadia. The history of income-tax in this country is perhaps known to all of us here but I will just mention it in case some of our young friends may not know it. It was started during the Burma War and an assurance was given that after that war the tax would no longer be levied. What is the result now ? Two years ago Sir James Grigg who was not friendly towards Indian aspirations deliberately devised a means to cripple the Indian industries and to cripple half a dozen or two dozen Indian business magnates who possessed wealth. He said so openly while introducing that Bill two or three years ago ; he said he wanted that Income-tax Amendment Bill to go through so that he might be able to rope in these two dozen Indians who had immense incomes outside India. He even gave the names to some of us ; and I may say that three of my colleagues here were among those whom he named. Sir, I will never forgive Mr. Bhulabhai Desai ; he and the Congress were responsible for that Act being passed. The Muslim League and the Congress Nationalist Party were unanimous in opposing it and they would have succeeded in defeating it if Mr. Bhulabhai Desai had not broken away from his original standpoint. But he and his party joined hands with Sir James Grigg with the result that Indian industrialists and Indian industries are all the poorer on account of the licensed loot which that Bill contemplated. That is the weapon with which the income-tax officers were armed to ruin Indian businesses and leave India a prey to foreign exploitation. What has this new Income-tax Act done to this country ? Indian industries in foreign countries are in an infant stage. We have been taxed on all our foreign businesses but not on the remittance basis. I agree that if I bring away the money here I am liable to pay income-tax, but why should the tax be paid on the accrual basis ? What protection does the British Government give to my business there where I make money ? I can understand paying income-tax here where I get protection from Government, but what do they do there ? What help or protection do they give us abroad where we have just started these infant industries, so as to be able to call upon us to pay income-tax in this country for what we have made in foreign countries ? In answer to that Sir James Grigg said that even in England since the last war they are taking under law income-tax on the accrual basis. My answer to that was that surely Indian industries could not be compared to English industries ; those were established generations ago and they can afford to pay, but our industries were started only since the last war and they are still in an infant stage ; that our business in foreign lands is very small and if they do not assist us to get our businesses established how can they ask us to pay tax on them ? But thanks to Mr. Bhulabhai Desai that Act has been passed and we have to pay.

Now, we have heard how the income-tax authorities play hell, if I may say so, with the assessees. I shall now give a concrete and definite instance, not of harassment as it stated in the Resolution before you, but something of a more serious nature, and I hope and trust that my friends assembled here will support me and the Federation will take suitable action in that connection. I will not mention the name of the gentleman concerned, but I will give you the facts, and the facts will tell the story. The income-tax authorities have been going through the books of this gentleman for the years 1936-37 and 1937-38 for the last two years. Since the last four years they have not come to any decision. This is my first charge. They are still examining his books for the past four years. He has paid his income-tax for all those years, but under the new Act his case has been re-opened, and they are now going through his account books for the years 1936-37 and 1937-38, and they have not yet come to any decision. This is so far as his account books are concerned for that period.

Then with regard to the account books for the years 1938-39 and 1939-40, these have not yet been touched, and the income-tax authorities have done nothing whatsoever with regard to the books for these two years, although the person concerned has paid the tax according to what he thought fit ; still they have not yet re-opened the case, nor have they examined the books, nor have they asked the assessee to submit the books for examination.

Then I come to the next period, the year 1940-41. The Income-tax Officer arbitrarily assesses him on an income of 25 lakhs, and orders the assessee to pay a sum of Rs. 17 lakhs. The reason for this arbitrary assessment was that the assessee did not submit his return in time, although the assessee says that he had verbally got an extension of time to file his return. But my friend the assessee was foolish enough not to have taken something to that effect in writing. However, relying on the verbal orders regarding the extension of time, my friend did not file his return in time, with the result that he was arbitrarily asked to pay Rs. 17 lakhs on the basis of a profit of Rs. 25 lakhs. My friend refused to pay the amount. He said he had already paid Rs. 7 lakhs, and the demand for payment of a further sum of Rs. 17 lakhs for that period for which he had then filed the return, which was quite in order, was quite unjustified, because my friend had paid Rs. 50,000 by way of penalty. Therefore, the income-tax authorities had no right to assess him again arbitrarily and ask him to pay Rs. 17 lakhs on the basis of a profit of Rs. 25 lakhs. He said to them that until and unless they went through his books and assured themselves that he had made 25 lakhs of rupees, he would not pay anything, and if they discovered that he had actually made so much profit, he was quite ready to pay them Rs. 17 lakhs.

Mr. G. Narasinga Rao (Andhra Province) : Is that a company or an individual ?

President : There should be no interruptions please. We are short of time, and we have got to finish our business.

Sir Abdul Halim Ghuznavi : I will finish it as soon as possible. Now, Sir, what did they do ? My friend was very obstinate and refused to pay. He said he had paid them 7 lakhs under protest, and he asked them to go through his books in the first instance and find out whether they were justified in assessing him further, and if they could satisfy him that they were right, then he offered to pay the money. They did nothing of the kind. But instead what did the income-tax authorities do ? They attached all his immovable properties to the extent of a crore of rupees to recover 17 lakhs. I have no grievance about that,—because we ourselves are responsible to it—we should thank ourselves for it, because we have passed the new Act and they have been entrusted with this powerful weapon, and they do what they like. Now, they have attached his property to recover the 17 lakhs. Let them attach it, because if there is British justice in this country, if real justice has not disappeared from this land, if Hitler has not yet come here, we will know how to get back the money which the authorities want to extract from my friend the assessee. Now, the properties have been attached, the dates for sale of those properties have been fixed. My friend said 'Let them sell the properties', but the income-tax authorities would not sell them. But instead of selling the properties to recover the 17 lakhs, what do they do ? They could easily recover 17 lakhs from the sale of the properties of my friend, because those properties are worth crores, but they would not sell them. Instead, they go to his office in order to humiliate him, and remove his furniture, which is worth not even Rs. 300. All this is done merely to humiliate my friend in the Bombay market,—remember he is a businessman —they remove his broken chairs and tables which are worth not even Rs. 300 merely to humiliate him in the open market. (Cries of Shame, Shame). Is this fair ? The income-tax authorities had no business to enter his office and remove broken chairs and tables, but all this was done merely to humiliate him. Then the authorities go to his house and what do they do ? They don't touch any of his things, but they remove a glass or a lota which is used for drinking water, they take away his clothes. Can we tolerate such things,—I ask you in all seriousness,—in the name of the administration of the Income-tax Act ? Is that the way to recover money from the assessees ? This method is nothing but harassment. This is what is going on in Bombay.

Then there are other instances which I can cite, but I refer in particular to instances referred to in my speeches on the Finance Bill for the years 1927-28 and 1928-29 for what was going on in Calcutta at the time ? Two Assistant Commissioners became somewhat over zealous, and they used to go about and pay surprise visits and resort to dirty tricks. An Assistant Commissioner went to a personal friend of mine in the garb of a broker to sell a house. During his calls on the merchant the Assistant Commissioner found out from gaddi what business the man was doing.

Then the Assistant Commissioner quietly went back to his office armed with all the information about the merchant and informed the Income-tax Officer and told him to assess this merchant no less than so many thousands ! The Assistant Commissioner himself went to my friend, mind you, posing as a broker for the purpose of selling a house,—and what was the dirty trick that was played ? Not being satisfied with it, what did the Assistant Commissioner do ? Not satisfied with it the Assistant Commissioner got his jurisdiction changed and came to the Royal Exchange Place because my friend was a share-broker on the Stock Exchange. There the Assistant Commissioner in disguise wanted to buy 400 Clive shares. But my friend not knowing that it was the Assistant Commissioner who offered to buy the shares, entered into a contract with him. The Assistant Commissioner asked my friend, the Multi-millionaire,—who does not know English,—'Is this your head office' ? My friend said, Yes. Immediately the Assistant Commissioner wrote to the Income-tax Officer and told him that such and such a man had done so much business. Look at the mean tricks played by some of the people of the Income-tax Department, and that case had to be fought out.

My friend Mr. Kapadia gave us some instances of harassment, but I will give him some further information which he probably does not possess. These Income-tax Officers in Bombay and Calcutta employ touts nowadays. They have with them the names of half a dozen touts who have offered to supply the department with information about certain people. They go about and furnish information about A, B or C, which is mostly incorrect, but nevertheless as soon as that information reaches the Income-tax Department, harassment starts.

Then there are rumours 'Oh, that man has made two crores." Yes, I agree that a man who has made 2 crores must be charged. But what about his losses ? If he loses 2 crores, will you give him credit for that ? That will not enter into their calculations, because it will not suit the authorities. When he has made 2 crores, you charge him,—all right ; but when he has lost 2 crores, will you give him credit for it ? They will not do so, because it will not serve their purpose. I ask in all seriousness that when an assessee has filed his books, shown his *bona fides* by paying in 7 lakhs of rupees and offering to pay another 2 lakhs in lump plus Rs. 50,000 every month pending the examination of his books by the department, is he to be penalised if the Department have not been able to go through the books in time ? Is his house and furniture to be attached and brought to sale in order to humiliate him in the open market ? Sir, I wholeheartedly support this Resolution. (Applause).

President: I have to request speakers to be kind enough to be brief, because we have not got much time left now, and we have yet to go through several more Resolutions.

Mr. Dewan C. Mehra (Textile Manufacturers' Association, Amritsar) : Mr. President, after the exhaustive and able manner in which both Mr. Kapadia and Sir Abdul Halim Ghuznavi have proposed and seconded the Resolution, I have very little to add to what they have said. Further more, Sir, you have just now made mention of the inadequacy of the time at our disposal and have directed us to be brief. Sir, I want to bring to the notice of the House a few points which have not been dealt with by the previous speakers. Every year in its annual review of the Income-tax Department, the Government of India take special pride in making mention of the figures of income actually returned by the assessees and the income to which the assessees are finally taxed. The suggestion is that but for the vigilance of the Income-tax Department the Government would to that extent have been cheated of legitimate revenues if the returns as submitted by the assessees had been accepted but the fact of the matter is quite different. The Income-tax Officials to justify their existence tax petty shopkeepers, traders and brokers most arbitrarily. All sorts of legitimate expenses are disallowed. Sometimes the officers of the department go through the books of these people and find some ordinary mistakes have been committed and on such flimsy grounds their accounts are rejected and these petty shopkeepers and others are arbitrarily taxed. These poor people find it cheaper to pay down the tax than to file an appeal which is a very cumbersome process involving a lot of expense and trouble.

Then, Sir, I am told that Income-tax Officers are ordinarily granted promotions based on the total demand they show to the Government in a particular year. The result is that every Income-tax Officer tries his best to increase the assessment in his ward, and for that purpose he naturally tries to harass the assessees as much as he can. The result is, poor people suffer. Then they try to impose a flat rate of tax which is very unreasonable. For instance, in Amritsar the Manufacturers of textile have been taxed at a flat rate of 20 per cent. I doubt very much if textile industry at

Amritsar can yield this percentage of profit especially when we take into consideration the fact that industry consumes yarn imported from Japan and the rate of import duty on yarns and piecegoods is about the same. I think it is very necessary that while fixing flat rates the department should consult the associations of the interests concerned about the flat rate to be applied.

I do not know about the state of affairs in other Provinces, but in the Punjab assessees are sometimes called upon to produce account books within 24 hours. A peon comes to the office at 6 o'clock in the evening and says "You are expected to be in the office the following morning." You may have some other engagement or you may not be ready within that time, and all sorts of actions are taken against you if you do not comply with the order. It is necessary that assessee be given at least one week's notice for producing books.

Then there is another complaint. No time is given for examining account books. The assessees have to go to the income-tax office on a certain date at 10 a.m. and they are kept waiting there till 5 p.m. and then they are asked to come some other day and there are no arrangements ordinarily made for the assessees to wait for all these long hours.

The returns of assessees are rejected on one plea or the other. Registration of partnerships is refused on inadequate grounds. While casual incomes are taxed, casual losses are not allowed in ascertaining the assessable income. They merely say the accounts are not properly kept and they try to ascertain the income very arbitrarily. I think it is very necessary that we should make a strong protest to the Government in regard to this matter.

Mr. Jayantilal M. Shah (Bombay Shroff Association, Bombay): Mr. President and Brother Delegates, I have great pleasure in supporting the resolution which has been so ably moved by Mr. Jagmohandas Kapadia.

The resolution about the harassment meted out by the Income-tax Department in the administration of the Income-tax Act used to figure formerly in the agenda of the Federation and as a result of our continued representations for several years to Government, this grievance was to a certain extent redressed. But the evil has again reared its ugly head since some time. The maltreatment meted out to the assessee has started with the war and particularly after the introduction of the Excess Profits Tax. The harassment caused by the Income-tax Department is not confined to stray and isolated cases but has become general in character varying in degree and methods according to the ingenuity and at times ignorance of the Income-tax Officers. The main objective underlying this ill-treatment is the extraction of money by bringing the assessable income of the assessee at a higher and higher figure for applying a higher ratio of rate. I will now illustrate how the Income-tax Officers have developed into scientific researches for financial requirements of war by getting more and more money out of the pockets of the assessees.

Sir, the Income-tax is to be levied on the profits of the assessee and for that purpose accounts are to be maintained in a manner which may give a true picture of the profits. But the Income-tax Department now claims to levy income-tax, super-tax, Excess Profits tax and other surcharges not on actual profits earned but on paper profits which may be arrived at by the Income-tax Department by manipulation and jugglery of accounts. I know a case in which the Income-tax Department would compute the value of ready goods at the price of ruling on the last day of the closing year but for forward sales it would not take the price of the same day but of the last clearing, inspite of the fact that the same assessee's accounts were accepted on the basis of the rate of the last day of the closing year for forward sales for several years. It is quite manifest that the departure made by the Income-tax Department in the system of computing income at this particular year was made because the departure would yield a large amount of profits for taxing. Sir, I ask whether this attitude of the Income-tax Department is any way fair or just. The Income-tax Department has no right to vary the method of computing the income of the assessee from year to year, according as he thinks it would help him to get more revenue. This attitude of the Income-tax Department is indefensible and the Federation should take up this matter urgently.

Sir, there are other minor grievances to which I would now draw the attention of this House. The Income-tax Department disallows interest on palla accounts, unless we can trace the history of accounts from the beginning till the end. The palla money is made up of dowry received at the time of betrothal or marriage and its history is a record of several years, which it is simply impossible to trace and to recount. Sir, this sort of harassment is unbecoming to the Income-tax Department and should cease at the earliest moment.

I shall now refer to another grievance. The Income-tax Department refuse to treat the petty holdings of the joint family members made up of gifts separately, but insists on treating the same as joint family property and recovers income-tax on the same. This treatment of the Income-tax Department should terminate forthwith.

The petty-mindedness of the Income-tax Department does not end here. The Income-tax Department would not allow the whole but only half the expenses incurred for the office motor, were it used by the partners for going home. Such petty-mindedness is creating great ill-feeling in the hearts of the assessees and it is essential that the Income-tax Department should improve their demeanour in this respect.

The last but not the least is the harassment caused to the assessee in the manner of the inspection of the accounts. It is our common experience that the assessee is called often and often by the Income-tax Department with a cart-load of books not only for the purpose of the examination of his own accounts but also for verification of others' accounts. The examination of the assessee is needlessly delayed and unjustly prolonged. Sir, there is no reason why the Income-tax Department should trouble an assessee oft and on for verifications of others' accounts. If the Income-tax Department wanted to verify others' accounts, the proper course for Income-tax Department is to send its clerk at the assessee's place for that purpose and in case the assessee is called to the Income-tax Office, the latter should be paid fees for attendance allowed in Civil Court matters.

With these words, I support the resolution.

President: There are one or two other delegates who wish to speak. I think the Resolution has been discussed thoroughly and so far I have tried my best to accommodate all delegates who wanted to speak, without observing any time limit. But in view of the shortness of time I will have to put the Resolution to vote, although I would very much like to allow them to speak.

The Resolution has been duly proposed, seconded and supported. Will delegates say if they are in favour of it ?

The Resolution was carried unanimously.

Mr. Chunilal B. Mehta (Indian Merchants' Chamber, Bombay) : Mr. President and gentlemen, I beg to move the following Resolution :

TAXATION OF INCOME BY PROVINCIAL GOVERNMENTS

The Federation is of opinion that as a consequence of the evolution of India's political structure on Federal lines, it has now become essential to demarcate clearly the limits of Provincial and Central spheres of taxation, especially when both these authorities endeavour to levy taxation on the same income, e.g., the tax on income from immovable property at a fairly substantial rate in the provinces of Bombay and the Punjab. While recognising that British Parliament is alive to this matter as announced by the amendment recently enacted to the Government of India Act, 1935, the Federation submits that the least that can be done by the Government of India, pending suitable action in this behalf, is to take steps to see that the amount of the provincial tax is allowed as a deduction while computing the income for taxes imposed by the Central Government.

Generally, most of the resolutions coming before this Federation are of an all-India nature ; and it may be asked why are we taking this resolution which seems a Provincial one ? But it is not so. This resolution concerns income-tax about which we have just now heard Mr. Kapadia and Sir Abdul Ghuznavi. Since the advent of Provincial Autonomy in India, provincial governments have been given the right under the Government of India Act to impose taxes for their revenues from certain sources. Of course spheres have been divided for taxation purposes between central and provincial, but the dividing line is not clear and therefore there are taxes which overlap one another. Recently in the United Provinces a Bill was drawn up to tax professions and callings ; and if I remember rightly it was passed : but the British Parliament has enacted an amendment of the Government of India Act by which I am told that its operation has been suspended or has not taken effect. In Bombay when prohibition was introduced, in order to meet the deficit in their budget the Bombay Government imposed a tax called the Property Tax at the rate of 10 per cent on the rental value of the property. It was first thought to tax on the basis of the rent itself, but the legal advice was that that would not be within the sphere of the local government as it would be technically income-tax which would not be in their sphere.

In order to meet this technical objection they said that the tax is not on rent but on rental value which, to the property owner, is the same. He has to pay the tax on the rent that he realises although it is called the rental value. This sort of double taxation has been a sore in all countries and is considered a double tax which ought to be avoided on the same income. In order to meet such contingency India has come to an agreement with the United Kingdom and Burma and Ceylon and some Indian States and others so that one person paying a tax on a certain income in one country may not have to pay the tax on the same income again in the other country. But, Sir, the amount of provincial tax that is being paid on the rental value in Bombay is not allowed to be deducted from the estimated income that is arrived at for the purposes of the income-tax. According to the present Income-tax Act only certain expenditure is allowed to be deducted from the realised amount of rent which has been specifically mentioned in the Act. Of course, at the time the Income-tax Act was enacted and also the subsequent amendments to that Act, there was no autonomy and no question of provincial taxation on properties in the form of property tax or in any other form and so there was no specific exemption in the Income-tax Act for the relief or allowing the amount of the provincial tax to be deducted from the income. Recently, taking the example from Bombay, the Government of the Punjab also has introduced a tax called the property tax—of one per cent on the value of the property per year. As a matter of fact it would come to about 15 to 20 per cent on the rental value and there also it would not be allowed to be deducted while arriving at the estimated income for the purposes of the income-tax. By this Resolution we are asking two things: first, that the spheres of tax between central government and the provinces should be so clearly and definitely defined that there may be no overlapping of taxation on the same income for the same person by the provinces as well as by the centre. That will require an amendment of the Government of India Act and that would perhaps take a very long time. In the interval we are making a very modest request, and that is, that the amount of tax paid by the property holder in any of the provinces, Bombay, the Punjab, and wherever there may be in any other province such a tax be allowed to be deducted as a legitimate expenditure from the estimated income which may be arrived at for the purpose of the Income-tax Act. This proposition is a very simple and modest one and I hope the Government of India will take the earliest opportunity of accepting it. With these few words I move the resolution.

Mr. V. K. Dhage (Maharashtra Chamber of Commerce, Bombay) : Mr. President and Friends, you must have, I am sure, heard it before, but let me repeat it again, because, human nature is such, that the truth and sensibleness of a thing does not go home unless it touches ourselves, our pockets or our person, that very typical and truly English Maxim that the Law is an Ass, a very magnificent ass. It is only the magnificence of it that is the glorifying aspect of it. But that ass, under the Government of India Act of 1935, is a peculiar one and from its nature and from its characteristics an unique one. We may concede to it this peculiarity and even be charitable enough to compliment it on its merits of uniqueness. But what is worse is that we, human beings, the noblest creation of God, are not only required to maintain this ass but also we are required to carry the burden of this ass. That, indeed, is the most sorrowful part of it. And then, I am not sure whether we are the asses or the law.

Gentlemen, the Government of India Act, you will all agree, is the creation of a very prolonged and painful labour. An outcome of the great conception of the politically highly developed British genius. It must, therefore, be a very clever devise.

Gentlemen, the Government of India Act has enacted a system of constitution, which politically is dead perhaps, is called the Federation. Under this system, there are the Central and the Provincial Governments and the Federated States. Their powers have been defined. Federation as such is nothing new to the world. There is the Federal Constitution of the land of almighty dollars—I mean, America—and there is the Federal Constitution of Canada and there is also that of Australia. Gentlemen, under these constitutions, there is one thing that is common to all in the matter of legislative powers for the purposes of enacting law or for levying taxes. It is this, that there is only one list defining the powers. The list either defines the powers of the states or the provinces or the Central Government and the residue is with that Government the powers of which are not listed. In America, the residue is with the states, but in Canada the residue is with the Centre. This simplicity is the virtue in these constitutions. But under the Government of India Act, we have something different which makes up its marvellous uniqueness. It is this. There is not one list but there are three lists. Section 99 to 107 clearly lay them down. There is the central list, there is the provincial list and there is the concurrent list. Still there is another which is not defined but there is no such thing as the residue. But with regard to that which is not defined and not distributed, the Governor-General has been given the sole discretion of determining whether an item is not included in any of the three lists and then to determine also which legislature has the power regarding that item. That is how the Government of India Act is a greater and bigger constitution than the constitutions of other Federations.

I will not elaborate this point, as I do not think it is necessary. But I may just say that, with the advent of provincial autonomy, the popular governments went about in the most enthusiastic manner and they proved to be more clever than the framers of the Act perhaps. Even the Bais, the Bens and the Ammals of India showed great ingenuity in the matter of their own rights as permitted to them under the Government of India Act. They were, in fact, out beating the ministers in the popular governments in cleverness. There were two Bills in the Bombay Legislature, two in the U. P. another one or two in the Madras. But this was not all, one or two in the Central also : all aiming at curtailing the powers of the male in the matter of exploiting the Bais, the Bens and the Ammals and definitely aiming at putting the male down. These proposed Bills not only asked the male to marry only one woman but he was also asked to allow them to divorce him ! Man, the working animal, the prop of the family, was thus proposed to be chained up in all directions and was made to remain at the mercy of the fair sex who was trying to shed her fairness ! ! But such number of the Bills made the man feel that even women of India were clever enough to show what kind of an ass the Law under the Government of India Act is. Thank God, the popular governments have all resigned and the great amazons have been put into the jail, so that, the male can for a while breathe in peace !

Coming back to the popular governments, we find that in their zeal for the benefit of the masses, they started enacting legislation and on the principle of maximum good, social good, they levied taxes also. We see that in Bombay, there is the property tax and in U. P., there is the professional tax and again in Madras, something else. But no sooner this was done, a crop of litigation started because these provinces began to levy taxes upon the income in some manner or other. And the courts of law, from the lowest to the highest, ruled, generally, in favour of the provincial governments. But Gentlemen, the matter with regard to the professional tax was different. The Civilians, whose pockets were being doubly touched, once by the income-tax and again by the graded tax in the form of professional tax, could not remain quiet. Even in these days of war when Britain is engaged, as many of us know and as is asserted by many eminent men in India and America, in a life and death struggle, the Parliament soon came out to remedy the awful injustice involved in such a measure. An amendment to the Act was soon passed and it was recognised that it was necessary to clearly demarcate the spheres of Provincial and Central subjects of taxation. And so, without taking away the power of the provincial governments, they restricted that power to Rs. 50 in the matter of the professional tax.

But Gentlemen, the story in regard to similar matter, like that of the property tax in Bombay, no heed was paid. That I say is the peculiarity of the Government of India and the House of Parliament.

It cannot be denied that the absence of such clear demarcation has in it some good indeed. And that is the crop it provides to front rank lawyers. Thank God, the popular governments in seven provinces are no more there and we are saved the tyranny due to any such ingenuity being practised upon us out of the Government of India Act!

It is, certainly, very unfair that the Government can get the Act amended when the Civilians are affected, but they cannot think in the same strain when others are concerned. The most ignominious part of it is that we pay the tax on the property in Bombay at 10 per cent on the rental value, which, I need not say is too high and is not equitable, but the Income-tax Authority, while allowing other expenses and other taxes as deductions, does not allow the tax on the property paid to the government as a deduction out of the income for the purpose of assessment of income-tax. This, in short, means that the assessee is required to pay a tax upon a tax. It is most objectionable not only on grounds of morality but also on grounds of equity, and it is against sound cannons of taxation. But if you go and tell the great man at the Income-tax Office, he comes out saying 'Show me where is the provision in the Income-tax Act to allow you this deduction.' Gentlemen, now imagine, if the Law is not an ass.

Gentlemen, if the Government of India can get the Act amended in the matter of the Professional Tax, is it not proper that they should, at least, allow the deduction of property tax out of the income for the purpose of assessment of income-tax. This is just common sense and I do not think the Government of India is bankrupt of common sense.

With these words, I commend the resolution to you.

Mr. Lalji Mehrotra: I propose to send some amendment. Will it be accepted ?

President: I am sorry. No amendment can be accepted at this stage under the rules.

Mr. Lalji Mehrotra: The rules permit our opposing the resolution ?

President: Yes.

Lala Gurusharan Lal (Bihar Chamber of Commerce, Patna) : Gentlemen, some of the several evils that the Federal structure of Indian Politics has brought in its train are due to the indefinite line of demarcation between the Provincial and the Central Spheres of taxations. On various places the Central Government has imposed taxations on the already heavily stricken populace of India in the form of enhanced income-tax, super-tax, surcharge, Excess Profits Tax, increase in railway freights, postal rates, etc. and it is our unfortunate experience that the so-called emergency taxations do not often rid us of their burden even when the circumstances change afterwards. The Provincial Governments, not to be outdone in squeezing money, have in different Provinces imposed several taxations and those who have not, contemplate imposing their quota now. To mention only a very few of them the Provincial Governments have to their credit the tax on income from immovable property in the Provinces of Bombay and Punjab, the agricultural income-tax in Bihar, the terminal and octroi taxes in different areas, and the Sugarcane Cess in Bihar and U. P. on the already groaning sugar industry.

To crown all, some of the Provincial Governments have been ingenious enough to impose General Sales Tax on commodities whereas the Bengal Government, it is reported, proposes to levy such a tax. Could there be any justification even in the least for imposing this additional burden on commodities ? Would not all these confounded measures lead to a general lowering of the standard of living ? If it is argued, by the Provinces, autonomous as they are supposed to be, that these additional taxations, are the cost of reforms and reliefs in other directions, I would say, let us be alone, we would not have such reforms and reliefs. Besides these, some of the Provincial Governments contemplate to impose an Employment Tax but it is fortunate that the idea seems to have been abandoned at least for the present. The pity is that the Employment Tax would be imposed but without finding means of employment for the unemployed. Tax would be levied on agricultural income without any means to improve agriculture. A heavy tax would be realised from the sugar industry without in any way helping the industry to stabilise itself or to improve the varieties of cane on which the Cess is directly levied.

I am afraid the present system of multiple suction one at the heart and the other at the limbs would hardly prove beneficial even to the agencies working at the suction in the long run.

As expected however, such a glaring mischief has not failed to draw the attention of the British Parliament and the subject matter of the sphere of taxations by the Provinces in engaging their attention.

Under the present circumstances, however, it is just reasonable that pending the amendment in the Government of India Act, 1935, the Central Government should see that the amount of the Provincial Taxes is allowed a deduction while computing the income for taxes of the Central Government.

With these words I heartily support the Resolution.

***Mr. Balkishan Munjal** (Textile Manufacturers' Association, Amritsar) : Mr. President and Fellow Delegates, I have been asked to support the resolution so exhaustively and ably dealt with by our incoming President, Mr. Chunilal B. Mehta. I should like to throw some light on what is happening in our province. Recently, we had a windfall of provincial taxation measures and we are promised some more. As is evident from the talk and the interview that our Development Minister gave to the Commercial Association of Amritsar, he wanted still five crores more to pay to the ruralites. Firstly, we have got the urban immovable property tax, note the word "urban." It is not an immovable property tax, but urban immovable property tax. In fact, I should call it a class measure, and not a taxation measure, because it penalises one class. My Honourable friends from Bombay are complaining of a tax of 10 per cent while we in the Punjab are to be taxed at the rate of 20 per cent plus 50 per cent surcharge during the war period. That brings the total of tax to 30 per cent. It is strange that the Punjab Government does not realise the gravity of this tax and the hardship that it involves to the urbanites. I will not be giving out any secret if I tell you an interesting instance in the Select Committee on this Bill. That will show you what sort of legislators we have got in the Punjab. The Punjab Premier proposed a tax of one per cent on the capital value plus 50 per cent surcharge that is 1½ per cent. Some members rose and said 'Well, Sir, this is too small. It is only 1½ per cent. We should like to put a tax of 10 per cent on the capital value. Otherwise it will take 40 years to dispossess the urbanite of his property. Why not take a speedy measure and put 10% on the capital value and dispossess the urbanite of his property in ten years.' This is the ridiculous state of affairs in our province. At a later stage the Act was modified and the levy was reduced to 20 per cent on the rental value but not on the capital value. Even the industries have not been exempted totally. Although the Punjab Premier was kind enough to exempt factory buildings, the workers' quarters and godowns attached to the factory and the offices have not been exempted. Then we have got the General Sales Tax. Our Association met in deputation and waited upon the Premier and requested him for exemptions under certain clauses. He was kind enough to exempt in some cases but not in others. We represented to him that Japan was giving subsidies and bounties to the industry and that for the establishment of the dye industry Japan gave 30 million yen, whereas in India there was not only no exemption but taxation. He said, 'If we had the money, we would give you 50 millions.' We told him 'You need not give us money but for God's sake, leave the industry alone'! Already the industry is undergoing many hardships in our province and I think the Federation should make a very strong representation and take some practical measures to see that this provincial taxation is stopped. Further, the Governors who are given certain powers of veto are not exercising these powers. In these circumstances, I would request the Federation to take very strong action in the matter and move the Government of India in this connection.

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* Speech not corrected.

Mr. Lalji Mehrotra (Karachi Indian Merchants' Association): Mr. Lalji Mehrotra addressed a few remarks in Hindi, explaining that he only wished it to be placed on record that, in supporting the Resolution, the Federation had no intention to express any adverse opinion on the taxation measures adopted by the Congress Governments in different provinces, particularly in Bombay, for the purpose of financing their Prohibition Schemes.

Mr. Chunilal B. Mehta: There was no intention at the time of framing this Resolution to say anything against the ministry or against those who framed this tax. The idea is that there should not be double taxation and at the time of adjustment the amount of taxation should be allowed as a deduction from the income-tax.

Mr. Lalji Mehrotra: Thanks for the explanation.

President: Resolution No. 10 has been proposed, seconded and supported. Will those in favour raise their hands? (Cries of 'all').

The Resolution was carried unanimously.

The Hon'ble Sir Rahimtoola M. Chinoy (Indian Merchants' Chamber, Bombay): Sir, I have pleasure in moving the following resolution :—

EXPORT AND IMPORT QUOTAS

(*a*) In the opinion of the Federation, the considerations of economic warfare have been unduly stressed in administering the existing restrictions on export. Such restrictions on the export and import trade with non-Sterling countries are not conducive to the development of new export markets for the produce of this country and require to be modified for the purpose.

(*b*) The Federation further invites the attention of the Government of India to the difficulties encountered by Indian merchants on account of the war-time restrictions on export trade and, in particular, wishes to point out complaints about:

(*i*) difficulties arising out of the lack of shipping tonnage;

(*ii*) inequitable allotment of shipping space;

(*iii*) administrative practice which prevents national interests in the trade getting their proper quota of the export business; and

(*iv*) appointment of non-national agencies for purchases for, and on behalf of, His Majesty's Government.

(*c*) Having regard to the extension of Import Trade Control to a variety of articles, the Federation urges the appointment of an Import Advisory Council, with subsidiary bodies at different ports, with a view to facilitate the discussion and mitigation of practical difficulties arising out of the day-to-day application of the control.

(*d*) The Federation strongly feels that, as a matter of general practice, contracts and commitments entered into before the institution of the control should be exempted from the provisions thereof and that the goods covered by such previous contracts should be allowed to be imported.

While commending this resolution for your acceptance I frankly recognise the need for restrictions on imports and exports during war time. We cannot possibly complain of controls which are found necessary to maintain the economic structure of the country but within certain limits imposed by war conditions the commerce and industry of the country must have full scope to thrive. Judged by this standard the restrictions at present imposed by Government on imports as well as exports are, in our opinion, detrimental to the economic interest of the country, particularly because of the one-sided interpretation of the controls by the Executive. Hence arises the urgent necessity of bringing our difficulties to the notice of Government. I shall presently make my position clear.

The economic prosperity of this country largely depends on the volume of exports of raw products to foreign countries. These exportable cash crops were suddenly deprived of the European markets, now enemy-occupied territories, as the first result of the war. Large stocks of such surplus produce have accumulated in India and are causing economic depression for want of fresh outlets. If on the one hand the Commerce Member of the Government of India showed much concern for the plight of the agriculturists as a result of the loss of foreign markets, on the other hand the export of such produce to neutral countries was discouraged by the tightening of the export control imposed by Government. This control has become all the more hard by the imposition of quota arrangements under which the exporters could obtain export licences on the basis of the amount of their previous years' exports.

Almost a year ago Government issued orders prohibiting exports of oil-seeds such as linseed, castor seed and rape seed from India to neutral countries both in and outside Europe and cancelled licences previously issued. This in itself was a serious disability imposed on the trade, and quite unjustified in view of the sad plight of the agriculturist. But the gravity of the situation can only be appreciated when we consider the arrangements under which the Indian oil-seeds and oil cakes are purchased on behalf of the British Ministry of Food, the one important buyer on whom the disposal of such commodities would depend. In practice, the East India Grain and Oil-seeds Shippers Association distributes orders for seeds on behalf of the British Ministry of Food, according to quotas of the shippers on the basis of shipment of the previous three years. The unfairness, however, of this arrangement becomes obvious when this Association allocates the quotas to the Indian shippers on the basis of business done in the previous three years in London or through London Houses for shipments to U. K. or for Continental ports. It is manifestly unjust on the part of the Association to demand for the basis of the quota, business done in London or through London Houses. The Indian exporters had in the past direct connections with the consumers in Hamburg, Rotterdam, Marseilles, Geneva and such other places. Surely the business done by the Indian exporters outside U. K. would have no record in U. K. The result is that these large-scale Indian exporters are deprived of their just quota. It would have been proper if the quota had been fixed on shipments made from India. When this difficulty is pointed out to the Government of India they reply that it is a matter for decision by His Majesty's Government. Surely the Government of India should move in the matter in the interests of the Indian producer.

In case of export of Indian wool the arrangements offered by Government are still worse. Export of wool is generally prohibited under war restrictions, as a result of which India's export link with U. S. A. is broken. The exports of Indian wool under the licensing system were consigned to Liverpool, where after satisfying the requirements of His Majesty's Government, the surplus stocks were either auctioned or sold to America. It was India's misfortune that His Majesty's Government were not in a position to purchase all the stocks of Indian wool exported to Liverpool and with the loss of the American market, the stocks in Liverpool and here have accumulated to the detriment of Indian wool trade. The restricted quota basis allowed in case of Indian wool for exports to U. S. A. cannot possibly clear the large accumulated stocks both in India and Liverpool. Besides Government insistence on their own buying Agents is aggravating the situation. All this is done under the name of the quota system imposed for the sole purpose of obtaining war requirements and has reacted adversely on the wool trade. If Governments both in Britain and India want to be fair to the Indian exporter, they can, without any loss to themselves, buy their requirement of wool in India and the surplus may be allowed to be exported to U. S. A. direct where Indian wool would fetch better price to the ultimate benefit of the Indian wool producer.

The same regrettable state of affairs prevails with regard to import trade control. If this control is operated with the full realisation of the country's needs, fresh impetus would be given to the starting of new industries which could supply the commodities, the import of which has been prohibited and the existing industries which needed the imported commodities for their working would not suffer. Our experience of the working of the import control scheme is very unhappy. Merchants have been beset with many difficulties as a result thereof. I can only point out a few of these difficulties as the time at my disposal is limited. Although Import Controllers have now been appointed at the important ports, the powers given to them are limited and red tape delays have caused enormous loss and difficulties to many a merchant. It has sometimes been made impossible for importers to conform to the conflicting requirements under the control scheme. Foreign exporters before finally accepting Indian orders would demand credit to be opened in the country of export. The Reserve Bank of India would, under the Exchange Control, open the required credits only after satisfying themselves that permission to import had been granted. The Import Controllers would insist on the production of contracts to import before granting licences. The authorities should realise that it was not possible to submit contracts while applying for licences and the question of opening credit was important as without it, the contracts would not be completed. These are some of the practical difficulties which Government should bear in mind while administering their schemes. Apart from these administrative difficulties, Government have very unwisely placed restrictions on imports from countries outside the sterling bloc. These have restricted trade and harmed the existing industries. Only recently under a notification issued by the Import Trade Controller, licences were required to be secured by merchants for importation of coal-tar dyes, according to which licences would be granted to regular importers for import of goods proportionately to their imports during the 8 months April to November 1940. As you are aware, India has entirely to depend on imported dyes. We realise that this restriction has been imposed for considerations of conserving currency resources. But then, it is also the duty of Government to see that such control does not lead to hardship to industries and trade interests concerned. The quota arrangements fixed in this case are very unfair, as in case of new business with U. S. A. merchants would not be able to establish sufficient quotas for their requirements. These quota arrangements in respect of the country's requirements of chemicals and steel have not been very happy either. Importers have been consequently deprived of the benefit of importing chemicals and steel from U. S. A. which is a very important market for these commodities.

Here I should like to give a few suggestions for consideration by Government which would mitigate the hardships suffered by the importers in the matter of the administration of this control.

Firstly, I suggest that an Import Advisory Council on the lines of the Export Advisory Council already appointed by Government, should be formed to discuss and settle points involving practical difficulties.

It would be advisable to appoint an Import Controller for adjustment of quotas for imports of steel as the Bombay merchants have to run over to Calcutta in respect of obtaining licences for steel imports. As suggested in the body of the resolution, contracts and commitments entered into before the institution of the control should be exempted from the operation of the same. It is necessary that a control when announced should come into operation only from the date of the notification of the same and on no account should be given retrospective effect. It would be helpful to the importers if the period selected as the basis for quotas, would be determined in consultation with the representatives of the trade concerned and would be announced in advance.

I would here like to emphasise that the authorities have neglected the question of difficulties arising out of the lack of shipping tonnage and inequitable allotment of shipping space. Even after having obtained the licences and quotas with regard to both the export and import control schemes, the merchants have before them the grave difficulty of obtaining tonnage for fulfilling their obligations. It is most urgent for Government to apply themselves to the task of furnishing adequate freight space. It has been made out and truly that there are no quota restrictions on imports from U. K. and other Empire countries and therefore so far such trade with U. K. and Empire countries is free. In this connection, I regret to have to point out that although an importer in this case enjoys freedom from quota restrictions, still in practice owing to the dearth of shipping tonnage and absence of safe convoy facilities, has to meet contingent hardship. As against this, those importers having connections with U. S. A., Japan and other Dollar Exchange countries, comparatively, have little difficulty with regard to shipping tonnage and convoy safety regulations. If such importers are able to obtain a quota for imports then the exchange difficulty also does not stand in their way. I suggest, therefore, that the difficulties encountered by the importers from U. K. and Empire countries deserve sympathetic consideration.

Lastly, I would very much like to bring to the notice of Government the importance and sanctity of contracts entered into by the Indian merchants with foreign importers and exporters of allied, neutral and commonwealth countries as Government have in the course of the administration of their control policy not paid due regard to the difficulties of the merchants who have had to suffer as a result of their not being able to carry out the obligations involved under such contracts.

Mr. T. T. Krishnamachariar (S. I. Chamber of Commerce, Madras) : Mr. Chairman, the Resolution moved by the Hon'ble Sir Rahimtoola Chinoy may not indicate to this Assembly here that it is extremely important in regard to the interior economy of this country as it affects both the export trade and the distributive trade within the country. Sir, it is difficult to do any justice to this Resolution, considering that the data available to us is so meagre. The instances cited by the mover of the Resolution have apparently been collected from some of the member-bodies of this Federation from out of several instances brought to their notice. It is impossible to get a correct picture unless the Government supply to us the data that they have supplied in the past about the seaborne trade, both export and import. In view of the fact that there is what might be called a statistical black-out, it is impossible to visualize the amount of damage that these restrictions are doing to the internal trade. It may not be within our province to advise the Government to relax the restrictions upon shipping to neutral countries, from which place it is possible that the goods are reshipped to enemy countries, but we will be quite right in pointing out to the Government that the method and manner of approach to this rather important problem is entirely defective. The officers of the Government of India have not dealt with this matter fairly or efficiently as the imposition of control at one end or at one stage must be recognised by all economists and experts and even by Dr. Gregory as being capable of producing disastrous results. I might mention to the House one instance of how the export trade of a commodity of great economic importance to South India is managed. The price for groundnuts, so far as the supply to the Food Ministry in London are concerned, was fixed at £10 per ton. The Government of India thought they had done their duty by the primary producer by fixing the price as they did and they never cared to inquire what price the primary producer of groundnuts was getting. It so happened by this rather inane, certainly irrational method of quota allotment that three firms in Madras, three non-Indian firms and even I think non-British firms got practically all the quota available for the export of groundnuts, and because there was no control in regard to the price paid to the primary producer, while they were getting something like Rs. 29-12 per candy which is what it works out at £10 per ton, they paid to the primary producer Rs. 20 to Rs. 20-8 per candy. The difference certainly went into the pockets of these middlemen and I was told that when this matter was raised in the Export Advisory Council the Government expressed surprise ; they thought the Food Ministry got the benefit of the low prices prevailing in India, which was not the case. I have merely cited one instance to show that control at one end, control at one stage, is disastrous. If control has to be established, it has got to be established all through, it has got to be continuous and it has got to be extensive. Secondly, the system of distribution of quotas is defective. As I said before, by this wonderful system of working out quotas on the basis of past shipments, quotas were given to three non-Indian non-British firms in Madras with regard to groundnuts, and it so happens that if you merely follow the mathematical way of working out on past averages, somebody who is not entitled to it gets the quota. There must be some rational distribution of quotas so far as Indian interests are concerned. I might tell the House that so far as South India is concerned, as regards the skins and hides trade, I was assured just before I left, that goods worth Rs. 87 to 90 lakhs were mortgaged to Banks for shipment and nearly 60 per cent of that quantity was in private hands. The control of shipping and the haphazard way of quotas being arranged is very defective and we can imagine what the results would be after the end of the war.

In respect of imports of which I probably know a little more than exports, it cannot be said that at the moment the Import Controllers are unreasonable. But the whole aspect of trade is changing from day to day. Countries from which people were importing before cease now to export to India and we have to go to other countries to get our needs. The Import Controllers have got a rule of thumb method of granting licences. If you apply for a licence for 20 tons of bolts and nuts the Import Controller says, " have 7 tons " ; all he has got to do is to curtail it. One can understand that curtailment is necessary for the conservation of exchange, of the dollar exchange possibly, but it appears that the necessity for the conservation of dollar exchange is almost becoming unnecessary, now that the Lease and Lend Bill has been passed and I do feel that a body like the Federated Chambers of Commerce should take upon itself the task of urging upon the Government of India that the control with regard to export and import must be a rational control and must be continuous if at all it is to be exercised.

Lastly this question of an Advisory Council for imports would help the Government partially in solving the problem. The Government of India cannot say what Dr. Gregory said to the Southern India Chamber of Commerce,—" Yes, there are bound to be hardships with a war on. But it cannot be helped." Why should there be ? Why should people be deprived of bread and butter and of the means of obtaining their livelihood. Why should local connections established for generations be broken merely because the Government cannot establish at the proper time equitable and just quotas and dispense with the granting of licences in the haphazard manner they are doing today. I do feel that this Resolution really seeks to set right a need and a malady which is far deeper than the one sought to be cured. In seconding the resolution I would commend it to the House very strongly.

Mr. Haridas Lalji (Buyers' and Shippers' Chamber, Karachi) *then supported the Resolution in Hindustani.*

The following is the English translation of the speech :—

The Resolution on which I have the privilege to speak contains various points of importance relating to both export and import control, and if each such point is dealt with separately, it would require a good deal of time to give justice to the subject, but as the time allotted to the supporters of the resolution is short, I would place my view in brief regarding the points mentioned in Part B of the resolution. As regards other points, I strongly support the views stated by the two learned speakers, the proposer and the seconder, in their respective speeches.

Gentlemen, the commodity wool is among the articles of Indian raw produce which have suffered the most on account of the prohibitions and restrictions imposed by the Government. The suffering of the producer and the seller is a matter on which history can be written.

From about 80 million lbs. of total annual production of wool in this country about 50 million lbs. are exported to foreign countries, 40% of which goes to America, 20% direct from India and 20% from the quantity exported from India to Liverpool. The balance of 50% was normally consumed by Liverpool and Continental markets.

The arrangement in normal times is that the merchants of this country shipped the goods to Liverpool on consignment basis through European Firms who have connections with the Liverpool Brokers' Association, the latter holding the monopoly of Liverpool market. The lots of these consignments are put to auction periodically by the said Association. The consumers in the Continent also used to purchase Indian Wool thus sold in the Liverpool market.

The method of selling Australian wool and the wools of other Empire countries till the commencement of the war was also similar. The goods imported from these countries into Great Britain were sold in London market periodically by auction.

As soon as the war broke out, an agreement was made by His Majesty's Government with the Dominions whereunder His Majesty's Government agreed to purchase at a fixed price, which was subject to revision every year, the entire wool productions of the Dominions during the pendency of the War and one clip after the termination of War. There is a further provision that the producing countries will share the profit from the surplus stock, sold to allied and other neutral countries. The producers are to get the price on delivery of the goods to their respective Government Organizations.

I would invite the attention of the House to the information published in the Journal of London Chamber of Commerce and reproduced in the *Commerce* dated 21st February 1940, which *inter alia* states :—

> "The Imperial Government as sole buyer of New Zealand wool for the duration of the war . . . has already distributed through the New Zealand Government a sum of £12,633,389 for 720,891 bales of wool. This compares with a total realization of £9,386,375 for 720,202 bales sold in New Zealand for 1938-39." It further adds that "the Imperial Government was responsible for all charges—insurance, handling, displaying and appraisement of the wool in warehouse, the producer's expense ceasing when the wool was received at the store. The responsibility of freight and war risk and other insurance of the wool on loading and leaving New Zealand was that of the Imperial Government."

Coming to Australian wool, the production in 1939-40 season amounted to 3,604,316 bales. In normal times the United Kingdom took nearly 40% of this production ; 41% went to other European countries, 10% to America, Canada and Japan and 9% was consumed by Australia herself.

All these productions have similarly been taken over by His Majesty's Government. The Union of South Africa has also a similar arrangement with His Majesty's Government.

Now, as regards the treatment meted out to the wool production of our poor country, the same pre-war arrangement of shipments to Liverpool market on consignment basis prevails. This is as usual done through the few European firms in India working in combination with the four members of the Liverpool Brokers' Association, with this slight difference that the Government have fixed the prices of different types of Indian wool on the basis of their respective yields, in place of the sales by auction. The goods are being distributed for the requirement of His Majesty's Government and for industrial purposes periodically at the fixed prices. Though the rates fixed are higher than the pre-war rates, a major portion of same is accounted for by the extra heavy freight, war risk insurance and other increased charges. The real owners of the goods get the realisations of their lots after about 6 to 10 months from the date of shipment, and until distribution all risks including the risk of enemy raids on the warehouse at Liverpool are to be borne by them.

On account of the risks it is natural that the merchants would keep to themselves a higher margin of profit than in normal times, and in consequence of such a state of affairs the producers who are among the poorest classes of people in India and who number hundreds of thousands hardly get the pre-war rates—and sometimes the prices they get are even much lower—for their productions at the time of each clip. Even the sellers who are in possession of the goods scarcely get any better price, there being no buyer and the stocks having accumulated in the country on account of the prohibitions and the restrictions.

In my short tour in the Province of Sind I have tried to get at the real state of things, and according to the information given to me by a shopkeeper, he pays Re. 1 for the wool cut from three sheep in a season, and according to the information supplied by sheep owners, they get Re. 1 for the wool cut from four to five sheep. This of course would not give a full idea as the conditions prevailing in other provinces as the qualities, the varieties as also the value thereof differ from province to province; but I feel the present state of affairs demand that a full survey be carried out of the condition of the vast population of poor sheep owners by the Governments of the respective provinces or by the Central Government through its Marketing Department or any other machinery.

Since the formation of the Export Advisory Council, the question of disposal of surplus stock of wool and the deteriorating condition of wool export trade looms large at every meeting of the Council. Some suggestions of a minor nature made by the Council have been accepted by the Government, and the Government have also allowed exports to U. S. A. to the established shippers on the basis of their shipments of three years ending March 1939. The quotas are based only on direct shipments from India and not on the portion of Indian wool shipped from Liverpool to America. Indian wool thus has lost (1) the markets of European countries which used to take Indian wool from Liverpool, and (2) the market of America to the extent America was purchasing Indian wool from Liverpool. The present position of Indian wool trade can be assessed from the following statistics published in the Sea Borne Trade of British India, January 1941 :—

EXPORT OF INDIAN WOOL

10 months from April to January

1938-39	1939-40	1940-41
Rs.	Rs.	Rs.
2,52,14,202	2,77,19,601	1,58,32,456

These figures answer for both the quantity exported and the price obtained for Indian wool.

The export of foreign wool from India is increased from Rs. 21,84,621 in ten months April to January 1938-39 to Rs. 63,91,794 in 1940-41 during the corresponding period. The export of Afghan wool is responsible for this large increase.

Coming to the system of quotas allotted to the established shippers on the basis of their last three years shipments, the same has been helpful to the extent that some 23,000 bales of Indian wool will be disposed off in one full year out of the surplus stock. Under the quota system the fullest benefit goes to two non-Indian firms one of which has two Indians as working partners. These two firms get about 2|3rd of the total quotaed quantity and the remaining 1|3rd of the total quotaed quantity goes to a few Indian firms. The stockholders, the sellers and the producers could not get the benefit of the high American prices as the prices in India ruled on the basis of the Liverpool control prices fixed by His Majesty's Government on particular standards of yield for different qualities of Indian wool. The Buyers and Shippers Chamber has represented these facts to Government, and have submitted that the rate obtained in Liverpool as fixed by His Majesty's Government are less by Rs. 50 to Rs. 75 per bale than the rates which obtain for the same quality and yield in the American market; and as such in the last 15 months from October 1939 to December 1940 the country has suffered an indirect loss of over one crore of rupees. These facts are further corroborated by reference to the price of Afghan wool which is now allowed free export to America. This wool when it was subject to the similar restrictions as for Indian wool fetched practically the same price as Khorasan wool, and Rs. 15 per maund less than Vicanere Wool. But today because of restrictions on Indian wool, Khorasan wool is sold at Rs. 46 to Rs. 48 per maund and Vicanere wool at Rs. 55 to Rs. 57 per maund, while Afghan wool because of its free shipment under certain conditions to America is sold at from Rs. 85 to Rs. 90 per maund. This very fact shows that the margin of profit obtained by the American quota-holders, without fear of exaggeration, comes to much over Rs. 100 per bale the cost of which at Karachi is about Rs. 200 only. This is due to the simple reason that the prices in India are based on the fixed prices at Liverpool and the difficulties of the merchants exporting their goods to Liverpool as already mentioned by me.

All is yet not told about the difficulties of wool export trade. The tonnage quotas for Liverpool have now been entirely stopped. The monthly shipment quota for Liverpool was 13,000 bales from Karachi, Kathiawar and Bombay ports, which was subsequently reduced to 5,000 bales, and it has now been altogether stopped for the last three months. The result is that there has been accumulation of goods at Karachi, Bedi, Naolakhi and Bombay to the extent of 40,000 bales approximately. In addition, there is a considerable quantity of unpressed bales at different centres amounting approximately to 20,000 bales. Further, a considerable quantity of Indian wool has left Indian Ports for Liverpool which must be lying in the warehouse at Liverpool undisposed off at the risk and cost of the Indian consignors, as it is presumed that only 3,500 bales from these stocks are being distributed at intervals of 1½ months. Over and above this, the new crop of White Clip has started coming in, which will not be less than 60,000 to 75,000 bales. The only markets for all these goods are Liverpool and America. It is, therefore, suggested that either the Government should purchase the surplus stock on lines of the arrangement with other Empire countries, or they should allow free exports to America and provide adequate tonnage for shipments for Liverpool.

Gentlemen, the question now is what remedial measures Government propose to take to relieve the pressure of surplus stocks and to help the poor agriculturist or the producer to get a fair return on his produce. In the present critical days, we all look up to the Honourable the Commerce member to take adequate measures immediately to do full justice to Indian wool trade, to save Indian producers and owners of the stocks from their present deplorable plight, and to get for Indian wool fair and equal treatment at the hands of His Majesty's Government. This done, he will earn the blessings of millions of agriculturists and wool producers of this poor country. With these remarks, I support the Resolution and request you for its adoption.

The Resolution was then put to vote and carried unanimously.

Mr. Raj Mitra B. D. Amin (Indian Chemical Manufacturers' Association, Calcutta) : Mr. President, I beg to move the following Resolution :

DEVELOPMENT OF CHEMICAL AND PHARMACEUTICAL INDUSTRY AND REMOVAL OF DIFFICULTIES

The Federation invites attention of the Government of India to the fact that (a) the high freight charges levied by the Railways on raw drugs at 4 R.R. and (b) the high duty levied by the Government on raw drugs imported into India, are proving greatly detrimental to the indigenous, chemical and pharmaceutical industry in the country and tend to place it in an unfavourable position for competing with foreign products. The Federation, therefore, requests the Government of India (a) to reduce freight charges on raw drugs by lowering their classification, as also by introducing telescopic scale of rates and (b) to abolish entirely the import duty on raw drugs according to the recommendations of the Drugs Enquiry Committee.

Gentlemen, as you may be aware, country and imported drugs required as raw materials by the Indian Chemical and Pharmaceutical Industry are classed at R.R. 4 and transported at the prescribed maximum rate of 0.62 pies per maund per mile which is very high and unreasonably so. As a result, the Indian Chemical Industries are unable to use the raw drugs growing in different parts of the country. Numerous raw drugs such as, belladonna leaves, ephedra vulgaris, digitalis, etc., grow abundantly in the Himalayan ranges, but on account of the high railway freight on raw drugs, the medicines which can be manufactured therefrom are not produced in the country and many of them have to be imported.

The extent to which the Indian Chemical Industry is handicapped by these high freight rates has been pointed out by Dr. B. Mukerji of the Bio-Chemical Standardisation Laboratory, All India Institute of Hygiene and Public Health, Calcutta. In his article entitled "The Future and Prospects of the Drug Industry in India" contributed to the "Science and Culture" of January 1938, he has illustrated this point by taking the case of Nux Vomica seeds. I shall read out an extract from the article which show how the Indian Industry cannot use the Indian raw drugs on account of high railway freight.

> "This forms another very heavy item and militates against the use of raw materials growing in different places in the country. It sometimes happens that prices of some drugs grown in India are cheaper when purchased from the London market. Strycnos nux vomica is a case in point. Nux vomica seeds are sold in Orissa market at Rs. 1-4-0 per maund of 105 lbs., delivered washed and dried at the buyer's godown. These very seeds used to be sold in Calcutta at Rs. 5 per maund of 82 lbs. due to high transportation charges by railways. The European manufacturers, however, can get the same thing at half the Calcutta price because the shipping companies carry this commodity as ballast at very low freight, and often it is possible to get a quotation from English stockists for supply in Calcutta of nux vomica seeds at Rs. 2-8-0 to Rs. 3 per maund. If a special reduced railway freight rate is allowed for drugs required for *bona fide* manufacturing purposes in India from the centres of production to places of manufacture, this problem can be easily solved."

The case of tea-waste which is a raw material for the manufacture of Caffeine Alkaloids, is another example of abnormally high railway rates on raw drugs. Under the present railway classification and in the absence of a telescopic scale of rates, the railway freight for the transport of tea-waste from Calcutta to Baroda comes to about Rs. 2-1-3 per Bengal Maund via Ujjain and Rs. 2-2-0 per Bengal Maund via Bombay. By either route the railway freight is very high. Tea waste, by which term is meant the fluff, stalks, and sweepings of the tea plantations left out after collection of consumable tea, have absolutely no value, except for the slight percentage, varying from 1% to 2%, of its Caffeine contents. It is for extracting this Caffeine that the chemical factories require tea waste, and the present rates fixed by the different railway administrations in India are not helpful to the development of the production of medicinal Caffeine in India; whereas, this very tea waste can be advantageously used by manufacturers in oversea countries as it is transported at ballast rates from the nearest port stations in India. The article referred to above further points out that :

> "Next to China, India is the largest tea-growing country in the world. Every year nearly 360 million pounds of tea are used for local consumption in India and Burma. If Caffeine is manufactured from the tea-waste (fluff and sweepings)

> derived from the quantity of finished tea exported, nearly 57,300 lbs. of caffeine can be produced which will fetch a substantial sum. The demand for caffeine and its salts all over the world is quite large, and India, the largest tea-exporting country in the world, can easily hold the key to the caffeine industry of the world."

What a gulf between these aspirations of the Indian Industries and the actual position acknowledged also by no less an authority than the Director-General, Indian Medical Service, New Delhi, that "The tea associations in India discouraged the extraction of Caffeine from tea-waste prior to the outbreak of war"? The Director-General has further expressed his opinion that Caffeine should be extracted from waste tea at a site as near the tea gardens as is possible and that as there are firms in Calcutta, manufacturing Caffeine, it was not necessary to support measures for reduction in freight on tea-waste sent from Calcutta to Bombay for extraction of Caffeine. All that I can say is that London is not nearer to Calcutta than Bombay and as pointed out by the Director-General himself tea-waste used to be exported to London to the discouragement of its use in India prior to the outbreak of the present war.

Gentlemen, from the examples given above, you will see how oppressive the present railway rates are in regard to the Chemical and Pharmaceutical Industry of this country. Sometime ago, the Indian Chemical Manufacturers' Association approached the Railway Board for a more sympathetic railway policy and a reduction of the rates charged on the transport of raw materials and finished goods, as this was vital to trade and industry and to the prosperity of the people. The Railway Board's reply has been to the effect that the Association should approach the individual railway administrations giving the volume of traffic likely to move over each railway and other relevant factors in support of the request for reduction. In giving this reply, the Railway Board have not appreciated the real grievance of the industry that the present railway rates based on the existing classification are high on the raw drugs used by their industry and on the majority of Allopathic and Ayurvedic medicines for liquid and powder form. Particularly as the supply of medicines to the public and the medical profession involves railway transport to every railway station in India, the question of high railway freight charges on medicines cannot be solved by special station to station rates. Further the discretion vested in the different railway administrations to fix rates within certain limits has not been properly exercised and the schedule rates vary over different railways and leads to the adoption of an unfair and harmful discontinuous system. There is also the need for the adoption of a telescopic scale of rates both for raw drugs and manufactured medicines, which does not exist at present. India being a land of vast distances, there is a pressing need for fixing railway rates on raw drugs and medicines on a telescopic basis. For these reasons, it is therefore necessary that the Railway Board should take up this matter and lay down the rates on raw materials and finished goods in such a way as to help the development of the Chemical and Pharmaceutical Industry in this country.

Another handicap to the Chemical and Pharmaceutical Industry in India arises from the fact that a tariff duty of 30% is levied on the raw drugs imported by them from oversea countries.

The Drugs Enquiry Committee appointed by the Government of India in 1929, strongly recommended that this tariff duty on raw drugs should be abolished as a help to the infant pharmaceutical industry. The Government of India instead of appreciating this recommendation have not only disregarded it, but have increased the tariff duty from the then existing rate of 20% to 30%.

It will be illuminating here to consider what treatment is meted out to similar industries in oversea countries and particularly in the United Kingdom. I shall read out an extract from page 50 of *The India and Eastern Chemist* of April 1935 :—

> "The Treasury, on the advice of the Import Duties Advisory Committee, have issued an order providing for the addition to the Free list, as from 1st March 1935, of the following raw materials mainly required in the manufacture of drugs and medicinal preparations :—*Aloes*, balsam of tolu, cassia pods and pulp, cochineal, damiana leaves, *digitalis* leaves and seeds, ergot of rye, *ephedra* stems and branches, *gentian* root, henbane (*hyoscyamus* muticus) leaves, stems and roots, henna leaves, hydrastis rhizomes, ipomoea (orizaba jalap) root, jaborandi leaves, jalap root, leptandra root, liquorice root, lobelia, orris root, podophyllum and *Indian podophyllum* rhizomes, quillaia bark, saffron (crocus sativus) stigmas and styles, sarsaparilla root, scammony root, *senna leaves* and pods,

> slkppery elm bark, squills, *stramonium* leaves, tonquin beans, uva ursi (bearberry) leaves, *valerian* root, witch hazel (*hamamelis*) bark and leaves. The Committee state that in a few cases there is some production either in the United Kingdom or within the Empire, but foreign supplies are necessary to meet the demands of the United Kingdom manufacturers, and they are satisfied that the removal of the duty on these articles will assist the industry engaged in their preparation and the export trade of the drug manufacturers."

Sometime ago, the Indian Chemical Manufacturers' Association approached the Government of India for exemption of the tariff duty on raw drugs, but the Government brushed aside the Association's request, by replying that it was not feasible to prepare a free list. I have shown how the United Kingdom have not experienced any difficulty in preparing a free list. The indigenous chemical industry is prepared to accept as the first free list for India, the same list that is in force in the United Kingdom. If the Government of India are sincere in their assurances of help to the Indian Industry, let them accept this reasonable suggestion of the Indian Industry. I need hardly mention that the Chemical and Pharmaceutical Industry apart from its importance to public health, has a vital role to play in the national economy, as one of the most important key industries of the country. You will agree that it is essential, therefore, that the railway rate policy and the import duty should be fixed in a manner as to encourage this important industry.

The resolution before this meeting has been drafted to bring to Government's notice, the opinion of this House on the above tribulations of the Industry, and I request that it may be voted for unanimously.

Dr. H. Ghosh (Indian Chemical Manufacturers' Association, Calcutta) : Mr. President and Friends, my friend Mr. Amin has very lucidly explained the importance of this resolution and I do not like to take up the time of the House in repeating what he has said. I wish to tell you another aspect of the question which he has not touched upon. India, as the House knows, is a very poor country and consequently treatment of disease must be economical. The expenses involved in the application of Western system of medicines to the people of this country are beyond the capacity of the majority of the people of India. On the other hand, I do not know of any other country which possesses such vast resources with regard to herbs and medicinal plants. It has not been possible yet to tackle even a fraction of these resources. I happen to be associated with researches in experimental medicine during the last 17 years and it is my experience that in the research institutions the grant given by the Universities or by the Governments is not adequate to purchase raw materials and drugs for carrying on research work. It is not actually the price of the drug, but it is the freight which is almost 80 per cent of the cost price of the raw materials. According to the distance the freight is calculated. A few illustrations will clear the question at issue. In India malaria is one of the most prevalent diseases. The output in India of quinine, the specific for malaria, is so small that it cannot really meet the requirements. We are to import quinine from Java. Private enterprise can manufacture quinine from cinchona bark available in Nilgiris in South India or import cinchona from Java. The price of cinchona bark is six annas per lb. and the freight from Nilgiris comes to about As. 1-6 per lb. It is even more if it is brought from Java. Now Government meet the requirements half way only by the exemption of customs duty on quinine, but this half way measure cannot solve the problem of public health. Another example is that of the disease of the bowels, such as Dysentery. Emetine, an active principle of Ipecac is a specific for the prevalent form of Dysentery. Ipecac is not an indigenous plant. Its chief source of import is Brazil. The price of one oz. of emetine was Rs. 31 before the war and now it is above Rs. 110 if it is available at all. Emetine can be extracted in India at a much cheaper cost, provided Ipecac can be purchased at a cheaper rate. We have got now in India a plant called Kurchi which has been found to be equally good, if not better for treating cases of dysentery. The whole difficulty is that the freight is such that it cannot be made really cheaper. Citric acid is one of the essential chemicals which can be prepared from lemons and citrons available in this country. The price of citron is 4 to 6 annas per 100, while the average freight charge is over Re. 1. Due to such freight charges, manufacture of citric acid cannot be made an industrial proposition. There are many such examples. Unless the freight charges on raw drugs are diminished it will never be possible to utilise the vast resources of drugs in this country to prepare cheaper medicines. It is one of the vital problems to the pharmaceutical industry, and therefore, I commend this resolution for your acceptance.

[*]**Rajratna Seth Girdharilal Parikh** (Federation of Baroda State Mills and Industries): Mr. President and Delegates, it gives me great pleasure to support this resolution moved and duly seconded. I understand the difficulties of the President in regard to time; the time is short and I do not want to embarrass him further by making lengthy remarks. All I wish to say is that the facts and figures given by the Mover speak for themselves. The House therefore does not expect any more remarks from me for the purpose of being convinced of the necessity for this resolution. I have to make one suggestion to add the passage which I am going to mention now. This may be added to the main resolution.

> "This Federation further appreciates the steps already taken by certain provincial governments and State Governments to implement the recommendations of the Excise Conference held in November 1937 at the instance of the Government of India with a view to remove inter-provincial State excise restrictions on the free movement of spirituous, medicinal and toilet preparations but regrets to note that some of the provincial and State Governments have not yet adopted the decisions of the Conference in spite of persistent requests by the interests concerned. This Federation therefore urges those provincial governments and participating States to give immediate effect to all the resolutions without delay for the development of the indigenous spirit and pharmaceutical industry."

I find that this provision is absolutely necessary in order to carry out the resolutions which have been passed by the Excise Conference. I have no doubt the mover will accept the suggestion and incorporate it in the resolution itself and the House will adopt it.

President: According to our constitution I cannot accept any amendment now or add to the resolution. However, it will be put on record.

Rajratna Parikh: I think I am entitled to move it and the Chair has to allow it and if the Mover accepts it and the House agrees, it will go through.

President: No amendment can be moved now. Under the Constitution, resolutions framed are sent to the Member-Bodies for their remarks. They are then received back and after that we cannot do anything here.

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[*] Speech not corrected.

Rajratna Parikh: I submit that there can be no Constitution which can disallow amendments moved on the floor of the House.

President: But you cannot go beyond the Constitution.

Rajratna Parikh: If you overrule it of course I am bound to accept it but there can be no amendment which can be disallowed when moved on the floor.

President: I do not overrule you. I am governed by the Constitution and I have pointed that out to you.

Rajratna Parikh: Then I appeal to the House whether they are prepared to accept it.

Mr. V. K. Dhage: Sir, I will draw your attention to the last sentence of Clause 4 on page 16 of the Constitution.

> "The Chairman may, however, allow any amendment which seeks to clarify the Resolution. Delegates will be free to move amendments in the light of discussions that have taken place."

In view of this you may consider whether to allow it or not.

President: This is not a verbal clarification. It is something which is sought to be added and I do not think that applies. I am quite prepared to put it on record but I cannot admit it as an amendment to the Resolution.

Rajratna Parikh: Will this be a precedent for subsequent meetings ?

President: That is the rule.

R. B. Balakram Pandya (Punjab Merchants' Chamber, Lahore) : Sir, this is a most unsatisfactory state of our Constitution. If everything that the Committee puts in is to be passed without any change of a comma or semi-colon, it means that we come here and do nothing but say ditto to what is said by the Executive Committee. I suggest that when we meet here next time the Constitution should be changed and some latitude should be allowed so that amendments may be passed.

President: I have no objection. If any delegate or member-body wants any amendment in the Constitution, it should be sent in writing to the Federation and then discussed according to the Constitution. But I do not think it will help us to discuss it here and now.

Sir Shri Ram: Sir, I take strong objection to Mr. Parikh persisting in the amendment. The fact is that the Constitution was changed about three years ago and every member or member-body knew what the changed Constitution was. It is no use my friend Rai Bahadur Balakram Pandya, who has very kindly attended our meeting for the first time today, getting angry with our perhaps defective Constitution, but the Constitution is there. The amendment suggested is not clarification but a completely new resolution. If Mr. Parikh's member-body was so keen about that resolution they could have sent it to the Executive Committee, when the draft resolutions were sent round, in the form in which they wanted it. But I do not think, Sir, you will be right in allowing any amendment or discussion over this matter. You remember our friend from Karachi brought up the same matter and you had to take the constitutional view in that matter.

Rajratna Parikh: I will just mention for the information of the House that my body did send the resolution and when the copy was sent to our body there was no time for writing. The resolution as sent is given at page 20 in the classified list of resolutions.

President: That is the resolution as submitted by your body before. As just explained by Sir Shri Ram, the resolutions framed by the Committee were sent to the member-bodies and when we did not hear from the member-bodies it is not open to us to do anything of the kind you suggest. You say you did not get any time to send in your suggestion. I am surprised to hear it because we heard from all other member-bodies, even from the farthest corners of the country. However, that will be investigated.

Mr. Debi Prasad Khaitan: Sir, may I make one suggestion to Mr. Parikh ? Resolution is not the only method by which the Federation approaches Government. If he will kindly send his suggestions for the consideration of the Executive Committee and if it is thought that acting upon that suggestion will be beneficial to the interests of his industry, the Committee will surely address a representation to Government about the matter. So I hope he will willingly and cheerfully accept the ruling of the President which is in consonance with the Constitution. I hope he will kindly accept my suggestion and get his body to write a letter to the Secretary of the Federation who will place it before the Executive Committee and the Executive Committee will formally consider it and, if thought fit, will make a proper representation to Government.

Rajratna Parikh: I am grateful for the suggestion to Mr. Khaitan and my body will write as suggested. But the point I wish to press is, is it right to rule out an amendment in this manner even when moved on the floor ? Even though there may be something stated in the Constitution you can never fetter the discretion of the President and if anything unconstitutional has been made in the Constitution itself then it has to be disregarded.

President: Unfortunately there is no discretion left in this case and the President is governed by the rules.

The Resolution was then put to vote and declared unanimously carried.

Sardar P. S. Sodhbans: I think as it is late, the next two resolutions should be moved from the Chair.

President: Both the movers and the seconders of these resolutions have been good enough to waive their right of moving and seconding and they have agreed that these resolutions should be put from the Chair. I may assure them that if their member-bodies have any suggestions to make, they will be put on record and will be considered very carefully and communicated to the proper quarters.

Mr. Durga Prasad Khaitan: Sir, I understand that all that they wanted to speak will be sent to the Secretary and made a part of the record.

President: Yes.

I will now move the Resolution No. 14 from the Chair. The Resolution reads as under :—

ESTABLISHMENT OF INDIAN CENTRAL OILSEEDS COMMITTEE

Having regard to the growing importance of oilseeds as one of the chief cash crops of the country and the potentialities of development of industries depending upon them, the Federation is of the opinion that an independent central organisation on the

lines of the Indian Central Cotton Committee should be set up for oilseeds also with a view to take full advantage of such a valuable crop produced in the country.

Further, the Federation earnestly requests that Government should utilise the establishment of such a Central organisation to investigate the various difficult problems that have arisen relating to the surplus stocks of oilseeds during the present war conditions and to adopt suitable measures with a view to give necessary relief to the primary producers.

The resolution was put to the vote and was carried unanimously.

(Owing to want of time, the resolution was moved from the Chair instead of being proposed and seconded by the speakers.

As the President felt that the representative of the Grain Merchants' Association, Bombay—Mr. Khimji Shamji—who was to move this resolution might have useful suggestions to offer on this question, he should be requested to supply the Federation Office with a copy of his remarks. These remarks are reproduced as Appendix 'A' to these proceedings).

President: I now move from the Chair the Resolution No. 15 which reads as under :—

SURCHARGE OF RAILWAY FREIGHTS ON FOOD-GRAINS AND FODDER

The Federation views with apprehension the reference made by the Member for Railways to the possibility of the surcharge on railway freights being made applicable to food-grains and fodder and impresses on the Railway Board that the condition of the masses in general would be adversely affected if these exemptions are withdrawn.

The resolution was put to the vote and was carried unanimously.

(Owing to want of time, the resolution was moved from the Chair instead of being proposed and seconded by the speakers.

As the President felt that the representative of the Grain Merchants' Association, Bombay—Mr. Devji Ratansi—and the representative of the Bombay Shroff Association—Mr. Mohanlal A. Parikh—who were to propose and second this resolution might have useful suggestions to offer on this question, they should be requested to supply the Federation Office with a copy of their remarks. These remarks are reproduced as Appendix 'B' to these proceedings).

President: The Federation will now consider the resolution recommended by the Committee as printed in item 4 of the agenda.

INCREASE IN THE ANNUAL SUBSCRIPTION OF THE FEDERATION AND LEVY OF AN ADMISSION FEE

A. That the annual subscription payable by each Ordinary Member should be increased from Rs. 150 to Rs. 200 per annum and that it should be realized in future from those members whose subscription year begins on or after 1st April 1941.

B. That an Admission Fee of Rs. 500 should be charged to all Chambers of Commerce and Commercial Associations seeking affiliation to the Federation on or after 1st April 1941.

I will explain why the resolution is moved. There is a deficit every year and every time it is generally stated why the Committee Members should pay, in other words, only those who can pay can come or serve on the Committee. That position is not good as I have heard many times from many quarters. And to put matters right I think the only course open is to increase the income of the Federation, and this is the first step in that direction. If any member has to say anything in this connection I would invite him to offer his remarks.

Mr. J. J. Kapadia (Native Share and Stock Brokers' Association, Bombay) : I have one suggestion to make. I personally feel that it is very right in the circumstances in which we are situated today that the annual subscription should be raised from Rs. 150 to Rs. 200. It is certainly a very wholesome resolution in my opinion which the Committee have brought forward ; because no business body which cannot make two ends meet can function effectively and efficiently on doles made to it year after year by certain members of the Committee. We are very grateful to these members for their donations but I think as a business body it is our duty to see that we not only cut our coat according to our cloth but that we effectively function by means of the current revenue which we are able to collect during the year. I feel that if you put both the resolutions together, it would not be fair, because the first part (*a*) requires an ordinary resolution, whereas part (*b*) seeks to amend the constitution, and therefore this Resolution should be in two parts. If you therefore put the first part of the Resolution to the vote, it will be open to the delegates to vote on it as they like, but with regard to the second part, it has to be carried by three-fourths majority of the member-bodies, and it involves a change in the constitution. Therefore, I suggest that this Resolution should be put in two parts.

Mr. President: I agree with the suggestion made by Mr. Kapadia, and I shall put the first part to the vote :—

That the annual subscription payable by each Ordinary Member should be increased from Rs. 150 to Rs. 200 per annum and that it should be realized in future from those members whose subscription year begins on or after 1st April 1941.

The first part of the Resolution was put to the vote and it was carried unanimously.

I now put the second part of the Resolution to vote and here three-fourths of the member-bodies have to vote.

LEVY OF AN ADMISSION FEE

That an Admission Fee of Rs. 500 should be charged to all Chambers of Commerce and Commercial Associations seeking affiliation to the Federation on or after 1st April 1941.

President: I would like to know if they agree to this.

Mr. B. S. Dabke: Was there any entrance fee before ?

President: No.

Mr. B. S. Dabke: Don't you think that Rs. 500 is too much ?

President: When I put this portion of the Resolution, nobody spoke against it, and everyone passed it. Now, when I put the second part, you speak about the first part which has already been carried unanimously.

Mr. J. J. Kapadia: Sir, you have to give the House an opportunity to discuss part (*b*) of the Resolution. This part should be open to discussion. Let the delegates discuss it, and after discussion let them decide the matter whether it should be passed or not.

Mr. Narasimha Rao: Was any fee taken previously ?

President: No.

Mr. Narasimha Rao: I think you may pass over the subject of admission fee, because this may prevent new bodies from coming in. We are willing to pay Rs. 50 under part (*a*). If you restrict the new bodies from coming in by asking them to pay Rs. 500 as an admission fee, then they will not care to come in, because most of them have a financial deficit just as the Federation has. They are not solvent bodies, and therefore if the Federation wants to protect itself, it should not do so at the cost of the member-bodies who are not very solvent either. I find that previously no fee was charged. Therefore, I would suggest to the President that this proposal should be circulated to member-bodies before we pass this Resolution here.

President: It has been circulated.

Mr. Narasimha Rao: Then I oppose the Resolution.

Mr. B. S. Dabke: While reading out the names this morning, we found that many representatives were not present, nor have they sent their representatives, and it is not right that we should pass this part of the resolution affecting the constitutional question. My friend on the other side correctly represented the case of the member-bodies and small Merchants' Chambers that are cropping up in different parts of India, and at such a juncture if the Federation decides to impose a fee of Rs. 500 as admission fee, it will be very difficult for them to pay. So I suggest we should circularise the matter so that those members who are not present today may have the benefit of consulting their members and then writing to you.

President: This was circulated to all member-bodies according to our constitution, and then it has been put down here.

Rajratna Parikh: I support the suggestion of my friend Mr. Dabke. No doubt, you did circulate the proposal, but the question was not put to the member-bodies from the point of view from which you now look at it. It has not been before the whole body, because all the people who are members of the body are interested in this question. Suppose you raise your fee to the member-bodies here. The result will be that they in turn will raise their fee to the members.

Mr. J. J. Kapadia: This does not apply to existing member-bodies. This applies only to new member-bodies.

President: Yes, it does not apply to those who are already members, but it will apply to those who want to become members hereafter.

Mr. B. S. Dabke: In that case there need be no hurry to push through this proposal today.

Sardar P. S. Sodhbans: This Resolution has been brought forward somewhat late in the day.

(Some Members : Hindi, Hindi).

Sirdar P. S. Sodhbans accordingly addressed the House in Hindustani.

The following is the English translation :—

The question of charging admission fee received the attention of the Committee of the Federation when I was a member of the Committee. The idea was that only big representative Chambers should become members of the Federation so that the smaller organisations or associations should better get themselves affiliated to the provincial Chambers. I am glad that the Committee have now seen the light after all. With these words I support the resolution.

President: Does any other member wish to say anything more on this matter ?

As no other member has risen to speak, I take it that they agree with this proposal, and I shall therefore put the proposition to the vote.

The Resolution was put to the vote and declared carried. (4 members voted against it by show of hands).

Mr. J. J. Kapadia: No, Sir, I don't agree with this kind of voting. Let us have the views of the member-bodies.

President: I simply wanted to take the sense of the House. I am quite prepared to accept your suggestion.

Mr. B. S. Dabke: How will this admission fee be utilised ?

President: It will be utilised for meeting running expenses of the Federation. We are short of funds, as you all know it.

President: I now put the second part of the Resolution to the vote. The second part is :—

That the Admission Fee of Rs. 500 should be charged to all Chambers of Commerce and Commercial Associations seeking affiliation to the Federation on or after 1st April 1941.

The Resolution was carried, 32 member-bodies voting for, 8 against and 2 remaining neutral.

Mr. Kapadia inquired if the necessary three-fourths majority had voted for the resolution.

The President pointed out that out of 42 member-bodies that had voted, 32 had voted for the resolution, i.e., more than three-fourths.

President: I now announce the scrutineers' report :—

Diwan Bahadur C. S. Ratnasabapathi Mudaliar has been elected for "Other Industries Not Specified" having secured 37 votes.

	Votes.	
Hon. Sir Rahimtoola M. Chinoy	46	Elected for "Other Trade and Commerce not specified."
Sir Purshotamdas Thakurdas ..	45	
Lala Gurusharan Lal ..	40	

President: I thank both the Scrutineers, Mr. J. K. Mehta, Secretary of the Indian Merchants' Chamber, Bombay and Mr. K. M. Purkayastha, Secretary of the Merchants' Chamber of United Provinces, Cawnpore, for scrutinising the ballot papers.

Sir Shri Ram: I propose :

APPOINTMENT OF HONORARY AUDITOR

That Mr. S. Vaidyanatha Aiyar, R.A., be appointed the Honorary Auditor of the Federation for the year 1941, and that he be paid the honorarium of Rs. 150 a year.

Carried unanimously.

Mr. Chunilal B. Mehta: Before we disperse I beg to move—

VOTE OF THANKS TO THE PRESIDENT

This Federation puts on record its great appreciation of the services rendered by the President, Mr. Amrit Lal Ojha, during the term of his office and expresses its warmest thanks to him.

You know, gentlemen, that the work of the Federation is increasing day by day. Once there were only ten member-bodies in the Federation : now they are 72. The Office of the Federation is at Delhi, while Mr. Ojha has been staying at Calcutta : owing to this distance Mr. Ojha had to give a very large amount of time and energy to see that the interests of the Federation were fully maintained. Many questions cropped up last year—Excess Profits Tax, Commandeering of Dollar Balances and Dollar Securities, Roger Mission and many other things : the Committee met only twice or thrice, and the President has a duty to give a lead to the commercial community of India on whatever subjects that may arise. Mr. Ojha has very ably and successfully carried out the work of the Federation throughout the year : in the Committee meetings he has been very courteous, patient and has given a full hearing on all subjects coming before the Committee. With these words I propose that the vote of thanks moved by me may be carried by acclamation. (Acclamations).

Before I conclude, I want to express my thanks to all the members who have elected me unanimously to the Presidentship. I shall try my best to discharge my duties to the best of my ability.

Mr. Braj Mohan Birla : I have much pleasure in seconding the Resolution moved by my friend Mr. Chunilal Mehta. Since we are all short of time I shall not say many words beyond supporting the Resolution and saying that we all know the qualities of the outgoing President ; and I hope you will all pass this Resolution unanimously.

Kumararaja M. A. Muthiah Chettiar : The conventional way of proposing a vote like this is by only one member speaking on it : but you find a third person also getting up to speak. That shows that the measure of thanks is a very big measure ; and that is why not one, but two or three people should express our appreciation of the work of our retiring President. It has been said already that the duties of the President have become very onerous and take up a lot of time ; and it is a matter of common knowledge to all members and member-bodies including the far off south that during the last year Mr. Ojha has done very much to keep up the activities of the Federation and urging from time to time upon the Government of India and other institutions about the needs and grievances of the Indian commercial community. I am sure you will all agree with me in proposing this very hearty vote of thanks to our retiring President ; and with your leave I should also like to express on our behalf our felicitations and congratulations to the incoming President and to wish him a good year.

The Resolution was carried with acclamations.

Mr. A. L. Ojha (President) : Before we disperse, I have to thank you very much for your very kind words and for the Resolution just carried. I must thank you for the honour you have done me. Last year you entrusted these responsibilities to an ordinary man like me, and I could not have been able to do it without the co-operation, guidance and ungrudging help given to me by my colleagues, the members of the Committee. Without their help and guidance I do not think I could have done anything. I have also to thank the Secretary, whom we know, Mr. Mulherkar, and his staff, who have been of great help to me. I have worked with many Secretaries—I do not want to undervalue the services rendered by them—but I may say that the faithfulness and loyalty with which he has served is certainly an example.

I wanted to say something more but we have not got time now ; we are hard pressed for time and on this account I had to incur the displeasure of some of my colleagues and friends here as I had to restrict their speeches : I wished to give them full freedom and did my best at an earlier stage to give them time. I can say in one word that on account of this Federation we have all come together and we have been able to do something. But I can say without exaggeration that much more has to be done ; compared with what bodies like this in other countries have done, I do not think we have been able to do what we should have done by this time. Many things have yet to be done and I am sure that they will be done by those who will come in hereafter. We shall be able to do that only if we stand together and work in co-operation and help each other. I thank you.

The Federation Committee will meet at the Federation Office today at 6-45 p.m.

The proceedings of the Fourteenth Annual Meeting then came to a close.

APPENDIX A

*Speech of Seth Khimji Shamji (Grain Merchants' Association, Bombay), which was intended to be delivered in proposing the resolution relating to the establishment of the Central Oil-seeds Committee

The resolution seeks for the establishment of a Central Oil-seeds Committee like the one we have for cotton since the last about 20 years. The demand of the business community for such a Central Committee for oil-seeds is not a new one which has arisen of late only, but it has been before them from the time it was first realized that oil-seeds in India had a bright future and that systematic efforts need be made if the ambitious hopes entertained were to be fulfilled. Gentlemen, you should not for a moment think that the business community vitally concerned was alone in this way of thinking. It should be remembered that even the Oil-crushing Industry Committee set up by the Imperial Council of Agricultural Research as far back as 1931, was of the same opinion. Moreover, the opinions then invited from Chambers of Commerce and trade bodies all over the country expressed the same point of view. In spite of this consensus of opinion, I regret to point out, required action was not taken. As in so many other cases affecting the trade, commerce, industry and agriculture of the country of which we have ample experience, tact to do the right thing at the right time and in the right place was not displayed, even on this occasion. Today when we look back upon the period, we instantaneously realize and have to admit that had the course been well-directed and well-planned, had the Central Committee been set up when it was demanded, the intense seriousness of the problem which embarrasses us today, would not have been there and instead we would have reached such a stage when we not only could have controlled the situation, but also would have benefited a great deal as a result of the exertions of the past. Gentlemen, let it be remembered that it is farthest from my mind while making this statement to ignore the activities of the Agricultural Departments, Central as also Provincial, all these long years in regard to this problem.

Coming to the actual problem of oil-seeds, in the first instance, I have to tell you that it has reached such proportions that today

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* *Vide* page 157.

it ranks with that of cotton, jute, and such other principal raw produce of the country. You will be glad to know that India is the only and the only country in the world which grows so many varieties of oil-seeds in commercial quantities. Indian production of oil-seeds which comprises linseed, groundnuts, cotton and castor seeds, sesamum, rape and mustard, copra, poppy seed, mowra, nigerseed, etc., on a conservative estimate exceeds 75 lacs of tons annually and is worth about Rs. 870 millions in value. The area under oil-seeds is over 27 million acres which compares favourably with that of cotton which is about 22 million acres. When compared with other oil-seeds producing countries of the world, it can be said to the credit of our country that she is the largest producer so far as groundnuts, rapeseed and sesamum seeds are concerned. As regard linseed, she is next in production to Argentine only. In the world trade of oil-seeds, oils and oil-cakes, her contribution is coorrespondingly deserving of attention. On an average, India exports Rs. 12 crores, Rs. 45 lacs and Rs. 2 crores worth of oil-seeds, oils and oil-cakes respectively every year to the different foreign countries of the world. Gentlemen, these figures must have convinced you of the vital part played by oil-seeds in the economy of this country and of the magnitude of the problem raised by them.

Naturally you would now like to know whether any serious efforts have been made to solve this problem in the real interests of the country. I do acknowledge that efforts have been made, but they cannot be called serious and to have been born of real anxiety. To me it seems that the problem drifts forward to an indefinite and uncertain future. The sum and substance of the progress made hitherto is that if there is a considerable export trade in raw materials—I beg leave to underline the last two words—then only it would be that healthy conditions would be assured for the internal economics of the oil-seeds of the country. This is a state of things in which we nationals of a country like India rich in materials of every description, have no reason to take any pride. It is one side of the matter. On the other, it gives me much pain to report that all the different interests down from the producer to the consumer at the top, are working as it were in isolation, each content after its own pursuits. This is what I call loose organisation. In spite of the efforts of the Agricultural Departments, production aspect is still not the climax of perfection. Last word is yet to be pronounced on the trade and the marketing aspect. No serious thought has been devoted to the industrial aspect. Lastly, about the possibilities, vagaries and extravagancies of the consuming aspect, I should say, nobody has ever troubled his head or displayed any anxiety worth recording. Gentlemen, it should not be forgotten that in India as in any other country, there is a potential demand for each and every article. It requires sacrifice, foresight and prudence to make it effective. Again, when it is realized that all these respective problems are to be solved with the sub-continent of India as the background with all its diversities, it is certain that the effort must be colossal to bring about co-ordination and co-operation of activities.

Gentlemen, I have made an endeavour in short to give you an idea of how the things stand at present. I wonder myself as to how so little has been accomplished all these long years. I will now proceed to relate to you in brief as to what should now be done if no further time is to be wasted. Further improvement in quality of crops, higher yield per acre with a view to lessen the cost of production, research work for as many industrial and pharmaceutical uses of oil-seeds as possible, and lastly, maximum industrialisation should henceforth uniformly engage our attention. Besides the problem of oils and oil-seeds, there is the other problem of oil-cakes which also is not to be brushed aside. Fodder and manurial value of oil-cakes needs to be ascertained. Gentlemen, it is shocking to know that we have been exporting every year about Rs. 2 crores worth of oil-cakes. These cakes enrich the soil and feed the cattle of foreign countries leaving the soil and cattle of India which need them most in a state of impoverishment and semi-starvation. Further, the mechanical processes have to be modernised so as to obtain the maximum value with the minimum of expenditure in men, money and materials. Before I proceed further and emphasise the industrial aspect, I will mention that all the attention needs to be concentrated on keeping the cost of production of our agricultural products and manufactured articles as low as possible and their quality as superior as possible. It is not in vain that I am strongly stressing this point on the present occasion.

The second point to which I would refer and with great emphasis is that this is an age of science. Of late it has been the tendency of some countries to find out synthetic substitutes rather than import raw materials from other countries. There are some manufacturing countries which have by the aid of science begun to grow materials which they formerly imported from countries like India. There is a third group of countries which have taken upon themselves to grow agricultural crops and as such are likely to figure as our rivals. These developments point to one fact only, and that is that with passage of time the demand for our raw materials will be getting lesser and lesser. Besides, Gentlemen, we have to take into account currency blocs, control schemes and all the ingenuity of the modern world. No reason or calculation can tell us of the forces to operate when the war is over. In order that we may not be overcome by the avalanche of economic forces, in order that we may not have to surrender to a fate of our own making, I would like to lay as much emphasis as possible on this occasion on the development of industries depending upon oil-seeds and oils as raw produce. Manufacturing products should not be our only concern. We should unceasingly go on making researches and find out different uses for the same kind of product. In India we have demand and also capital, labour and materials required for industrialisation. There is no reason why we should go on exporting raw materials and place ourselves in an embarrassing position in which we find ourselves at present. As a price for not industrialising we every year pay on an average Rs. 3 crores for imports of articles which are wholly or partially manufactured from vegetable oils. It will be interesting to you to know that castor-oil is a lubricant par excellence for aeroplane and similar works and its utility as a war material hence can hardly be minimised. From vegetable oils we can manufacture edible fat, glycerine, margarine, solid fat, sterine, lubricants, Turkey-red oil and again these oils are extensively used in the soap, candle manufacturing, varnish and paints, vulcanised rubber, floor-cloth, leather-cloth, tallow substitutes and such other industries. Gentlemen, this list can clearly give you an idea of what we still have to do so far as industrialisation of oil-seeds is concerned.

The next aspect of the problem facing oil-seeds is that of maintenance of reasonable prices. In these days when communications flash like lightning, our markets, I should say, have ceased to function as shock-absorbers. A careful scrutiny of the level of prices will convince you, Gentlemen, of the truth of this statement. They are more led away by sentiments which have not at their back the support of facts. Those who are in touch with the market conditions from time to time must have recognised that our markets at times become one-way markets according as the bull or the bear element predominates.

Gentlemen, I would now like to make a reference to the problem of oil-seeds in the light of war conditions. Soon after the war, one by one our former export markets came to be lost to us. As I told you before, healthy conditions when exports ceased were hard to be maintained. There were surplus stocks, shortage of tonnage, export restrictions, contraction of credit facilities and so many other things arose with the progress of the war. The result was a steep fall in prices and apprehension of precipitation of crisis was from time to time averted by the incoming of the British Ministry of Food for purchases and this is best illustrated by what has been happening since the last few days. In these times the condition of the primary producers is really pitiable. Had a central body been established when the idea was first mooted over a decade ago, I believe, the seriousness would not have aggravated to its present extent. Gentlemen, I am not much in favour of the proposal for curtailment of crops. To me it seems a negative proposition. Though the trading community appreciates the sympathy shown by Government, they feel that the problem has now turned into a blind alley.

I have described to you the various aspects of the oil-seeds problem as they existed in the past and as they exist at present. I have also placed before you an idea of the tendencies which will confront us in the not distant future. Again, the future after the war is hard to be calculated with any degree of accuracy. It is at this crucial juncture, once again, that we voice our demand for a Central Oil-seeds Committee. Without such a body a problem which vitally affects a domain of almost the size of the continent of Europe, Russia excluded, cannot be solved. We have seen the consequence of the apathy of the past. It would be a stark misfortune if even today we do not become wiser and take a lesson from the mistakes already committed. Gentlemen, as you are aware, since April 1940, the Agricultural Produce Cess is being collected. We earnestly desire that the proceeds from oil-seeds should be utilised in setting up a Central Committee for them. The problem facing oil-seeds is getting more complex with the passage of time. Such a valuable asset as oil-seeds should not be looked upon as a burden to the country simply on account of our indifference and lethargy. I thank you, Gentlemen, for giving me a patient hearing and commend the resolution I have moved to your acceptance.

APPENDIX B

(The following is the text of the speech intended to be made in moving the resolution regarding Surcharge on Railway Freight on Food-grains and Fodder)

*Seth Devji Ratansi (Grain Merchants' Association, Bombay): The resolution placed before the House appears at first sight to be so very simple that one may hardly take any notice of it at all. But if one were to take a little more interest in this subject and pay the attention it deserves, one would find that the repercussions of the step contemplated to be taken by Government in case of necessity, would be felt very severely particularly by the masses in general of the country. The previous speaker has dealt with the matter at great length in all its details and I would not therefore labour the same points over again and would be as brief as possible.

Coming to the subject, I must say that I for one cannot give credit to Hon'ble the Railway Member for his having shown to the Legislature huge surpluses of Rs. 14.59 and 11.83 crores for this year and for 1941-42 respectively. The reason why I am not so much impressed is that the windfalls are obtained, not through economy and efficiency, but through the enhancement of passenger fares and freight charges by 6¼ and 12½ per cent respectively last year and through fortuitous circumstances as those of war. The Railway Report for the year 1939-40 says, "The curtailment of coastal steamer services and the increase in sea freights resulted in a diversion to the Railway of much traffic which would normally have been carried by sea. The rise in prices of petrol and other motor accessories reduced to some extent the effect of road competition. There was consequently considerable increase in the movement of traffic by Rail of raw cotton and several other articles. The increase in military traffic and the development of indigenous industries such as iron, steel, glass, jute, paper and chemicals also contributed to the upward trend in earnings." These circumstances did not call for any increase in rates either passenger or freight and everything points to the fact that such conditions will continue for a considerable length of time. The Hon'ble Member for Communications should have instead of sounding a note that the exemptions allowed to food-grains and

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* *Vide* page 158.

fodder may be withdrawn, squeezed this opportunity to afford as much relief as possible by announcing reduction in rates. Unfortunately he further makes us realize that Government is examining the questions if the rebates designed to encourage the export of coal and wheat are still justified and if the fares for the suburban season tickets which were left untouched when the passenger fares were increased last year, require to be enhanced. If war emergency is the cause of raising more money, this indirect method should as far as possible be avoided and open market borrowing should be resorted to. The country is already suffering under a heavy burden of taxes which have increased during the last 12 years to Rs. 80 crores. It is not always that what has been found suitable in United Kingdom conditions would be found equally adequate when India is concerned. Such a blunder has been committed on many previous occasions and the present times of war, when prices of consumers' articles are rising by gallops irrespective of incomes and a sort of depression clouds over many of the raw material trades, caution us against its repetition.

Another direction in which the Railway Member should have looked if surpluses were really to be shown was that of retrenchment and economy in Railway administrations. I believe that there is considerable room for both and the reticence of the Hon'ble Member is surprising. Even before the war, the condition of the people in general of this country was far from satisfactory. A majority depend upon agriculture and the low prices of agricultural commodities since the last over a decade meant not a few hardships to such a large section of the population of this country. Conditions in the urban areas and the industrial centres also were not such as could be regarded as opulent. Everything was inter-linked and a rueful tale was heard all over the country. When war commenced and after, on account of loss of export trade and restrictions placed by the Government, most of the trades got disorganised, surplus stocks of agricultural commodities accumulated and prices were hard to be maintained. While there were some rays of hope for industries executing war orders, the conditions of the bulk of the masses did not improve and on the contrary grew much worse. It is apprehended that the seriousness is likely to aggravate if proper steps are not taken and confidence not restored in time. While on this matter, it would not be out of place if I point out that the year before last as also to some extent last year, the failure of monsoon in the different parts of the country resulted in disastrous famine conditions. During these times when scarcity conditions continued, the agriculturists and those residing in villages were the persons who suffered the most. They had barely recovered from the said catastrophic conditions, when war commenced with all its consequences in dislocation of trade, higher cost of living and falling off of prices of agricultural raw materials. The aftermath of the famine conditions and the present stalemate due to war have unquestionably left a majority of the population in serious distress. *Vis-a-vis* such conditions, it would be really shocking if Hon'ble the Communications Member takes courage and proceeds to withdraw the exemptions granted to food-grains and fodder. In the enthusiasm to raise funds if such a step is taken, it will be one more instance of the short-sighted policy of the Government as the Government would then forget that along with materials and manufactured articles, vigour of the masses is also necessary if what is aimed at is the successful prosecution of the war, relying upon India as the real source for every kind of help for defence of the Eastern Group of Empire countries.

Reiterating my appeal for relief and reduction in rates enhanced last year, I have much pleasure in seconding the resolution so ably and exhaustively moved before the House and commend it for your acceptance nem com.

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*Speech of Mr. Mohanlal A. Parikh (Bombay Shroff Association, Bombay), which was intended to be delivered in seconding the resolution relating to the Surcharge on Railway Freight on Food-grains and Fodder

The case for the resolution is so obvious that no elaborate arguments are required from me to commend the same for your acceptance. Last year Govermnent imposed, as you are all aware, a surcharge on railway freights and fares. The rate of the increase on goods traffic was 12½%. Our contention was that when the railways were making huge surpluses and were contributing largesses to the general revenues, there was absolutely no justification for imposing this burden on the users of the railways. We felt strongly that an essential utility service like the railways was being used as an instrument of taxation for the purpose of providing additional funds for the budgetary requirements of the country, and more particularly to meet the gap consequent upon the increasingly heavy military expenditure. It is almost axiomatic that the charges for such essential services like railways should be no less and no more than is just required to run the services efficiently. The very fact that the railways are able to make such a huge surplus is a sufficient condemnation of the policy behind our rates and freights structure. We had placed before Government our views as above and had demanded the abolition of the increases in question. The utter disregard for public opinion, which is characteristic of our present irresponsible Government was in evidence in regard to this matter also and notwithstanding the extremely good revenue position when the Railway Budget for the coming financial year was announced, the Railway Member had no relief to offer to the users of the service.

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* *Vide* page 158.

On the contrary, he went a step further and threw out a hint that the question of continuing the existing exemption from the surcharge of food-grains was under review, giving the impression that Government were almost determined on removing the same. He also linked the continuance of the exemption to the ultimate outcome of the deliberations in regard to the grant of dearness allowances to railway workers, meaning thereby that if the provision required for payment of allowances was substantial a part of it should be met by the likely revenue from surcharge on food-grains. This pitting of the freight rates on food products against the payments to railway staff of compensatory allowances was regrettable.

Now that the decision to give the allowances to the railway workers has been decided, fears naturally are entertained that the Railway Member may carry out his threat of withdrawing the exemption. Therefore the present resolution is in the nature of timely warning to the authorities to forbear and to stay their hands and not to cause avoidable sufferings to the general masses in the country by making articles of food dearer.

Reports are already current of the failure of certain food crops during the current season. This naturally will bring about some inevitable increase in prices. What is more food-grains will have to be moved to centres which may be threatened with scarcity and the authorities will only be adding to the difficulties of the needy people in such areas if they increase the burden of the transport charges.

Governent by their policy of requisitioning of shipping have already considerably reduced available for transport by coastal shipping. The traffic in food products which used to pass through coastal shipping has thus been diverted to rails at higher rates. If on the top of this the charges over the railways are further increased, it will only be instrumental in paralysing movement of grains in question, thereby causing untold misery and suffering in rural and needy areas.

Incidentally I would also like to point out that as part of a deliberate policy of discouraging road-transport, in the name of co-ordination the Government have already placed many fetters on motor transport. Price of petrol has undergone successive increases, adding to the cost of road traction.

If after thus having made the alternative transport services costly Government now are also adding to the burden of charges for movement of food-grains by rail, they are only inviting trouble by being the cause of all the consequent hardships to the general mass of people in the country.

We would therefore strongly appeal to Government to desist from taking the step in question and to continue the exemption on food-grains and fodder.

APPENDIX C

FOURTEENTH ANNUAL SESSION

List of Member-bodies of the Federation of Indian Chambers of Commerce and Industry with their representatives

Names of Members	*Names of Representatives*
1. The Ahmedabad Millowners' Association, Ahmedabad.	1. Mr. Kasturbhai Lalbhai. 2. „ Shantilal Mangaldas. 3. „ Ramanlal Lallubhai. 4. „ Ambalal Himmatlal.
2. The Ahmedabad Share and Stock Brokers' Association, Ahmedabad.	1. 2. 3. 4.
3. The All-India Soap Makers' Association, Calcutta.	1. Mr. B. N. Maitra. 2. „ J. N. Banerjee. 3. „ S. C. Ghose. 4. „ G. S. Sastry.
4. Andhra Chamber of Commerce, Madras.	1. Mr. K. L. Narasimha Rao. 2. „ V. Venkateswara Sastrulu. 3. „ C. Ranganayakulu Chetty. 4. Hon. Mr. Narayanadas Girdhardas.
5. The Association of Indian Industries, Bombay.	1. Mr. Sankalchand G. Shah. 2. Dr. L. C. Jariwala. 3. Mr. M. J. Buch. 4. „ M. P. Polson.
6. The Bengal Industries Association, Calcutta.	1. 2. 3. 4.
7. The Bengal National Chamber of Commerce, Calcutta.	1. Mr. N. R. Sarker. 2. „ D. N. Sen. 3. „ B. C. Ghose. 4. „ B. G. Mukerjee.
8. The Bengal Rice Mills and Merchants' Association, Calcutta.	1. 2. 3. 4.
9. The Berar Chamber of Commerce, Akola.	1. 2. 3. 4.

Names of Members	*Names of Representatives*
10. The Bihar Chamber of Commerce, Patna.	1. Lala Gurusharan Lal. 2. Rai Sahib Rama Prasad Gupta. 3. Seth Santi Prasad Jain. 4. Lala Balkrishna Das Khandelwal
11. The Bombay Bullion Exchange, Limited, Bombay.	1. Mr. Chunilal B. Mehta. 2. ,, Lachmandas H. Daga. 3. ,, Gajadhar Somani. 4.
12. The Bombay Rice Merchants' Association, Bombay.	1. Mr. M. C. Matani. 2. ,, Ravji Ghellabhoy. 3. ,, M. U. Khan. 4. ,, Moolraj Pragji.
13. The Bombay Shroff Association, Bombay.	1. Mr. Chunilal B. Mehta. 2. ,, Mangulal Trikamlal. 3. ,, Jayantilal M. Shah. 4. ,, Mohanlal A. Parikh.
14. The Bombay Yarn Exchange Ltd., Bombay.	1. Mr. Ramdeo A. Podar. 2. ,, Sankalchand G. Shah. 3. ,, Gordhandas Jadavji. 4. ,, Makhanlalji G. Seksaria.
15. The Burma Indian Chamber of Commerce, Rangoon.	1. 2. 3. 4.
16. The Buyers and Shippers Chamber, Karachi.	1. Mr. Hoshang N. E. Dinshaw. 2. ,, Manoobhai Doongursee. 3. ,, Isherdas N. Mallik. 4. ,, Haridas Lalji.
17. The Calcutta Jute Exchange Ltd., Calcutta.	1. Mr. M. M. Chatterjee. 2. 3. 4.
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